EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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LOMBARD
The ABC of choice in currency
Page 19

World News

South African moderate picked for reform post

President F.W. de Klerk of South Africa appointed a close political ally and moderate to the Cabinet post responsible for constitutional reform.

The announcement that Gerrit Viljoen, formerly Minister for Black Education, would be Minister of Constitutional Development was the only important shift in the composition of the new President's Cabinet. Page 4

Mandela conjecture

The Bush Administration expects South African President F.W. de Klerk to release jailed black nationalist leader Nelson Mandela and end the country's state of emergency, Newsweek magazine reported.

Superpower talks

The US and Soviet Union resume high-level talks today on arms control, human rights and regional issues which may result in agreement on a date for a summit between President Bush and President Gorbachev. Page 4

Mozambique attack

Mozambican troops repulsed a rebel raid on Chokwe town in the south of the country and killed five of the attackers, believed part of the Mozambican National resistance.

Carter in Managua

Former US President Jimmy Carter arrived in Nicaragua on a fact-finding mission into Nicaragua's electoral process in preparation for next February's elections. Page 4

Iran talks tough

Iran would go to war again as a last resort rather than surrender land to Iraq, President Rafsanjani said.

Quayle visits Asia

US Vice President Quayle heads to Asia today for a 10-day trip in which he will press allies to work for free trade and more political freedom.

Traffic blocked

Failure of Italian and Austrian officials to agree how to appease Italy's truck drivers and transport companies means no goods traffic is likely to move between the two countries. Page 3

Nigerian democracy

Nigeria's military Government is poised to pick two civilian political parties to lead Africa's most populous nation back to democracy by 1992.

Hurricane damage

Hurricane Hugo moved across the Caribbean island of Guadeloupe after destroying an airport control tower, knocking out electrical power and making 3,000 people homeless.

Arab League talks

An Arab League envoy starting a drive to end Lebanon's war held talks in Damascus before heading for Beirut to seek the support of the Christian army chief. Page 4

Gun battle kills 3

Three people were killed and 18 wounded in a gun battle between local Sindhis and Mohajir immigrants in Hyderabad, southern Pakistan.

Adriatic pact

Yugoslavia and Italy agreed to work together more closely in ecology, transport, tourism and trade and called for closer collaboration between Mediterranean countries.

Colombo offers talks

Sri Lankan Government offered Sinhalese rebels security and protection if they would join a peace conference. Page 3

NZ recovery seen

New Zealand is poised to begin a new period of prosperity in 1990 as benefits of five years of wide-ranging economic and financial reform years come to fruition, according to Mr David Caygill. Page 4

Drug mercenaries

A self-described British mercenary said he was hired "to eliminate" 25 people in Colombia, including a drug baron.

Business Summary

World Bank takes more from the Third World

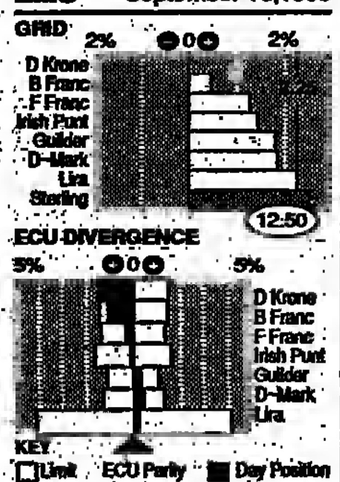
The net transfer of resources to the World Bank from developing countries which borrow grew 37 per cent to $4.8bn in the year to June, according to the organisation's annual report.

The Bank estimates transfers of resources from developing countries to all lenders grew to about $50bn in 1988, from $38bn in the previous year, continuing a deteriorating trend. Page 20

EUROPEAN Monetary System: Central banks were active selling dollars towards the end of last week as the US unit broke through the DM2.00 level on better than expected US trade figures.

The Bank of Italy was active earlier in the week trying to halt the lira's rise against the D-Mark. The Danish krone remained the weakest member of the system but was still within its maximum divergence limit.

EMS September 15,1989



The chart shows the two constraints on European Monetary System rates. The upper grid, based on the weakest currency in the system, defines the cross-rates from which no currency (except the lira and Spanish peseta) may move more than 2¼ per cent. The lower chart gives each currency's divergence from the "central rate" against the European Currency Unit (ECU), a basket of European currencies.

EUROPEAN airlines: The partnership signed last week by Air France and Lufthansa is likely to establish two competing blocks with different strategies, one led by British Airways, the other by the Franco-German alliance. Page 21

PROTECTIONISM: Carla Hills, the US special trade representative, wound up a six-country European tour claiming to be "more optimistic" the Community would eschew protectionism. Page 20

RALSTON Purina, US food manufacturer, is buying the scandal-hit Beech-Nut baby food company from Nestlé of Switzerland for what Wall Street believes is less than $100m. Page 25

PEUGEOT: more than 1,000 striking Peugeot workers plan to demonstrate outside the car group's Paris HQ. Page 3

COCOA: talks aimed at reviving the moribund international cocoa agreement ended in failure in London after a week of discussions. Page 6

UK Power: large consumers have told the Energy Secretary they are "horrified" by proposals from the supply industry to limit competition after it is privatised. Page 9

KOOR Industries, Israel's biggest industrial group, plans to treat a subsidiary, Tadiran, as a property for sale in its half-year results due this month to reduce the impact on the group of the unit's heavy losses. Page 25

UK economy: the Confederation of British Industry, the employers' organisation, survey indicates no further growth in manufacturing output next quarter. Page 9

SIEMENS: a senior Siemens manager disparages, in a book just published in Europe, the kind of alliances his company formed with GEC to gain control of Plessey this month. He says alliances are often relegated to "the last place in corporate strategies". Page 14

MANAGEMENT accounting: a report by the UK's Chartered Institute of Management Accountants criticises the manner in which overhead costs are allocated to products. There should be a gradual breakdown in the conceptual barrier between overheads and direct costs, it says. Page 14

East Germany considering 'much tougher' policies

By Leslie Colitt in Berlin

A TOP official in the East German Communist Party has said that the relaxation of travel controls over the past five years between East and West Germany is in danger of being reversed, as a result of the exodus of thousands of East Germans to the West.

The official, who asked not to be named, told the Financial Times at the weekend that the Government was considering the adoption of a "much tougher" policy.

"There is a groundswell in the Party to hit back hard," he said, suggesting that East Germany could retaliate by abrogating agreements and interfering "for example, with the flow of traffic" between the two countries.

Such cancellations, however, would be highly unpopular in East Germany, and Bonn could respond by cutting back on vital economic co-operation with its neighbour.

The threat follows East German cancellation of a visit by a delegation from the West German Social Democratic Party (SPD), which had sharply criticised East Germany for refusing to carry out political reforms.

The official charged that Hungary had become Bonn's "willing tool" for allowing East Germans to flee through its territory. "For that, they got DM500m ($252.5m) from West Germany," he said, referring to a loan last week from West German banks, half of which was guaranteed by the Bonn Government. The banks said it had been under negotiation for months.

Mr Erich Honecker, 77, the East German Party's ailing leader, could be succeeded by Mr Egon Krenz, 50, the Politburo member in charge of security, the official indicated. Unlike some of his rivals, Mr Krenz was "very firm."

The official blamed Soviet President Mikhail Gorbachev, who is to attend celebrations on October 7 to mark East Germany's 40th anniversary, for the "chaos" in the Soviet Union and predicted he might not last long in office.

"Under no circumstances are we going to make similar mistakes," he said, rejecting both Soviet and Western-style reforms. "We will continue on our successful GDR path to socialism, making changes when necessary."

One change which was not necessary, he indicated, was a dialogue with newly-forming opposition groups.

But Dr Jens Reich, a co-founder of the New Forum opposition movement set up last week in East Berlin, said East Germany needed a "constructive Soviet-style dialogue" or people would demonstrate in the streets and flee "like rabbits across the border."

New Forum was not calling on the Party to give up power or its leading role, he said. "We only want the Party to seek a dialogue with the population, with us."

However, the likelihood of such a dialogue taking place in the near future seems remote. The Party official commented scathingly on the conciliatory offer: "We know these groups well. They are riddled through with people working under cover for the other side."

Editorial comment, Page 18

Banks abandon plan for EC's first full cross-border merger

By Tim Dickson in Brussels

PLANS have been abandoned for Europe's first full cross-border banking merger between Belgium's biggest bank, Générale de Banque, and Amsterdam Rotterdam Bank (Amro) of the Netherlands.

An announcement that the two groups will now aim for more limited co-operation – as well as confirmation that the mutual stakes in each other's businesses of 9.9 per cent are to be reduced – will be made by the two chairmen at a press conference in Amsterdam today.

The development will not come as a complete surprise in banking circles where the ambitious marriage plans have long been viewed with scepticism.

The proposals were announced at the height of the bold, but ultimately unsuccessful, takeover attempt by Mr Carlo De Benedetti, the Italian businessman, for Société Générale de Belgique, the biggest Belgian holding company and a key 13 per cent shareholder in Générale de Banque.

The collapse of the merger attempt will nevertheless be seen as illustrating the huge technical and cultural obstacles which remain to be tackled if Europe is to become a truly integrated market place by 1992.

The precise reasons for the banks' change of direction are expected to be spelt out today, although it has been no secret that different company law, and fiscal and regulatory traditions in Belgium and the Netherlands have proved major stumbling blocks in the detailed negotiations which have taken place over the past 18 months.

Recently, union resistance has surfaced in the Netherlands as signs of possible job cuts started to emerge.

As a first step the proposed "alliance" – announced in February 1988 – consisting of the two sides taking just under 10 per cent in each other's capital, with warrants to boost them to 25 per cent, as well as an agreement to co-ordinate their international activities. The final aim – to be achieved within an agreed three-year "engagement" period – was to set up a fully-integrated multinational banking group with a single chairman, a single executive committee and a single balance sheet.

Only last month the two banks announced that "in the absence of legal requirements and in the anticipation of the Europe of 1992" their joint net profit for 1988 had risen by 19 per cent to Ecu422m ($422m) and their combined balance sheet total at the end of last year stood at Ecu125.9bn.

Despite the frequently repeated rhetoric from both camps about turning two medium-sized banks into a major unit better able to withstand international competition – the combined entity would rank sixth in Europe and 18th in the world – it has been clear for some months that the full merger plan was proving too ambitious.

Analysts believe, for example, that the earlier-than-anticipated retirement last year of Count Eric de Villegas, Banque Générale's chairman and an enthusiastic proponent of the alliance, was a crucial turning point.

Baron Paul Emmanuel Janssen, his successor, has been noticeably cooler about the prospects of success, announcing to some consternation in Belgian banking and financial circles in February this year that the merger ultimately only stood a 50-50 chance of being signed.

The influence of Compagnie Financière de Suez, victor in the takeover battle with Mr De Benedetti, is also thought by many to be relevant. It has viewed with disfavour an arrangement between Générale de Banque and Amro which many suspect was somewhat hastily entered into as a "poison pill" to foil the Italian businessman.

Sir Derek Alun-Jones: talk of equity exchanges

Ferranti managers fear for ownership

By Terry Dodsworth and David White in London

TOP management of Ferranti International Signal believe that the company will be forced to lose some or all of its independence because of recently discovered losses of up to £150m ($234m) on dubious overseas contracts.

The losses, which came to light last month, could amount to the value of virtually all the assets in ICS Technologies Ltd, a UK company acquired as part of Ferranti's merger with the US-based International Signal and Control in 1987. The contracts in question include a large-scale missile project that ICS was said to have won in Pakistan.

According to executives close to Ferranti, all or most of the work in progress and debtors listed in ICS Technologies Ltd's accounts at the time of the merger may not have

Continued on Page 20

Rabin trip brings new pressure for Mideast accord

By Hugh Carnegy in Jerusalem

MR Yitzhak Rabin, Israel's Defence Minister, is to fly to Cairo today at the invitation of Egyptian President Hosni Mubarak. His visit is the most dramatic development yet in Egypt's efforts to bring Palestinians and Israelis together for peace talks.

The Egyptians clearly regard Mr Rabin, who is expected to return home tonight, as a key to unlocking the peace process.

The Israeli coalition Government remains deeply divided over how to respond to Egyptian proposals for getting negotiations started. In a pointed gesture, ministers from the hardline Likud party of Mr Yitzhak Shamir, Prime Minister, yesterday unanimously rejected Egyptian proposals.

At the same time the Palestine Liberation Organisation and its supporters in the Israeli-occupied West Bank and Gaza Strip have not given their unqualified go-ahead to Cairo's proposals.

Mr Rabin has been revilled in the Arab camp for his uncompromising suppression of the 22-month-old Palestinian uprising, or Intifada, in the occupied territories which continues to claim Arab lives almost daily.

But he has been committed throughout to finding a political solution to the conflict. As the Labour Party minister most trusted by Mr Shamir, he was instrumental in pushing the Premier into offering an Israeli peace plan earlier this year based on elections in the territories leading to a form of Palestinian self-government.

When the Israeli initiative failed to win Palestinian acceptance, Egypt stepped in with a 10-point proposal aimed at bridging the gap. The intention is to convene talks in Cairo in which the Palestinian side would have as its starting point the Egyptian proposals and the Israeli side would present the coalition's initiative.

An early breakthrough seems unlikely, however, because there are still large obstacles in the shape of the composition of the proposed Palestinian delegation and the substance of the Egyptian proposals.

Mr Rabin and the Labour Party have accepted an Egyptian suggestion that the Palestinian team include intifada activists previously expelled from the occupied territories by Israel. They also agree to the key points that negotiations should proceed on the premise that any settlement be based on Israel exchanging territory for peace, and that elections should include Arabs living in Jerusalem.

Mr Shamir and Likud reject all these points. Accordingly, the coalition has been unable to adopt a formal response to the Egyptian proposals, putting off further consideration of them until Mr Shimon Peres, the Labour leader, and Mr Moshe Arens, the Likud Foreign Minister, return from trips to the US.

It may be that the issue cannot be pushed forward without forcing a break-up of the Likud-Labour partnership. But there are complicating factors on the Palestinian side as well.

Mr Yassir Arafat, the PLO chairman, has twice been in Cairo in recent days amid clear signs that the PLO is unhappy that the Egyptian proposals do not specify key demands such as the right to Palestinian self-determination.

French compromise would give Brussels power to vet big deals

By David Buchan in Brussels and William Dawkins in Paris

EC member states are likely to take a big step today towards giving the Brussels Commission the formal right to vet large cross-border mergers between companies.

The French Government, which wants merger controls agreed before its presidency of the EC ends in December, has tabled a new compromise formula.

At today's meeting of EC industry ministers, it will be attempting to bridge differences over where the dividing line should be drawn between Commission and national competence over mergers and what criteria Brussels should use to judge mergers.

The overall aim of the long-deadlocked scheme is to remove overlap between anti-trust powers wielded by the Commission and member-states, and so create a "one-stop shop" for companies seeking clearance for a merger.

It is not intended to represent any tightening or loosening of Community competition policy.

Paris, however, has inserted into its new plan a potentially controversial measure to allow the Community to exert pressure on non-EC countries which restrict takeovers by companies based in the Community. This would permit the Commission to enter into negotiations with third countries if they do not give EC-based enterprises the same anti-trust treatment that companies from those third countries get when launching bids or mergers in Europe.

France's proposal may well stir foreign fears over EC protectionism and for that reason does not please some of its EC partners, notably Britain.

But a precedent for such reciprocity now exists in EC banking legislation to which all 12 EC states and the Commission, after a long wrangle, agreed.

Discussion today will revolve around three key points:

● Threshold. Under the French proposal, the Commission would have prior vetting rights over any merger involving companies with a combined turnover of more than Ecu5bn ($5.2bn) worldwide, more than Ecu250m of that turnover within the Community, and not more than two-thirds of that turnover within one EC state.

This is a substantially higher threshold for EC scrutiny of mergers than Brussels had originally wanted, and accords with the wishes of countries such as the UK and West Germany with well-developed national competition policies.

The issue of reviewing the threshold in four years' time is likely to remain in contention, however.

The Commission is still keen for agreement that the turnover trigger for EC scrutiny of a merger should be automatically lowered to Ecu2bn after a transitional period ending in 1992-3, while some members argue against prejudging any reduction in the threshold.

● Criteria. Britain, West Germany and the Commission, spurred on by Sir Leon Brittan, the competition commissioner, appear to have successfully held out for Brussels to judge mergers on competition grounds alone.

This is reflected in the new formula presented by France, which along with Spain had argued earlier for industrial, regional and social policy factors to be taken into account.

● Procedure. Some countries, particularly Germany, still appear to want to retain the right to intervene in certain mergers above any agreed threshold, even if they get a green light from Brussels.

By contrast, smaller member-states plus Italy – which do not have national competition authorities – argue that the Commission should be able to act in other mergers whose size falls below the trigger point for Brussels vetting.

CONTENTS

THE MONDAY INTERVIEW

Gyula Horn (left), Hungary's reform-minded Foreign Minister, is the man who let the East Germans go. A month ago, he was a relatively unknown quantity. Now he looks certain to win a seat in his country's first free elections since 1947. Page 44

OVERSEAS NEWS

WORKERS PLAN TO DEMONSTRATE TODAY OUTSIDE CAR GROUP'S PARIS HQ

Peugeot combatants dig in as strike continues

By William Dawkins in Paris

MORE than 1,000 striking Peugeot workers and nnion officials plan to demonstrate this morning outside the car group's Paris headquarters, in the worst industrial dispute to hit Europe's third largest car maker for five years.

The demonstrstors, from Peugeot's two higgest car assembly plants in Sochaux and Mulhouse, north-east France, will be calling on Mr Jacqnes Calvet, group chairman, for negotiations over a wage claim which the company's management reckons is worth around 30 per ceot, unacceptahly high.

Both sides seemed intransigeot at the weekend in the hitter 13-day-old dispute. Unions have called for the resignation of Mr Calvet. He has coolly replied that most staff still support his aim of trimming costs and investing heavily to fulfil his plan of lifting PSA, the group which owns Peugeot and Citroen, from Europe's third largest car company to its first.

A former president of Banque Nstionale de Paris, he joined Peugeot in 1984 and instituted a tough job- and cost-cutting plan to save the group from near collapse. The upshot is seeo by many as an outstanding success, but on the way, it caused riots outside Peugeot's plant in Poissy, near Paris. So he is hardly likely to be rattled this time.

The dispute has alresdy begun to take political significance, drawing a stern warning from Mr Roger Fauroux, Industry Minister, in the weekend press, that "there is everything to fear from an uncontrolled growth in salaries". He added: "That would be dangerous. Everybody would lose, including the workers."

It could hardly have come at s worst tims for Peugeot, in the week when it unveiled at the Frankfurt motor show its long-awaited, top-of-the-range 605, the volume car producer's first serious attempt to challenge BMW and Mercedes in the executive car market.

By the end of last week, Sochaux, production centre for the 605, had nearly closed,leaving Peugeot with a stock of just 4,000 of the new models. It is just enough to satisfy the first orders, due for delivery early next month, but with the prospect of an embarrassing gap after thst, ssy industry experts.

Pengeot management reckons that so far, the Sochaux site is 4,000 cars behind schedule – including 605s and other models – while the Mulhouse plant has lost 10,000 units, mostly the popular 205.

Only a minority of staff are officially on strike in hoth plants, up to 2,000 out of the 12,000 at Mulhouse, not counting non-striking sympathisers, and perhaps half that among the 24,000 employed at Sochaux, according to management. Union estimates are much higher.

Whatever the actual number, Peugeot executives ruefully point out that the impact they have made illustrates the risks of using Japanese-inspired just-in-time stock controls, where inventories are kept to almost nothing, so thst a hold-up in one department has an immediate affect all the way down the rest of the production line.

Analysts reckon Peugeot is sfficient enough to make up any shortfall in market share fast. Even so, this comes after an August when Peugeot lost 7.7 percentage points, representing 4,600 vehicles, of its French market share – down to 19.7 per cent according to the industry's latest returns – hecause its prodnction was unable to cope with demand. This month's decline in VAT on French cars, from 28 per cent to 25 per cent, offered a chance to make good, now jeopardised.

Yesterday evening, both sides seemed no nearer to agreement than when the conflict started. What is so surprising is that industrial relations in Alsace, the home of both plants, are repnted to be placid. It is a prosperous area, near the West German border, where unemployment is among the lowest in France.

Mr Calvet estimates that the current year's offers are worth on average 4.4 per cent, including performance bonuses, individual rise and other benefits. The unions reply that this is inadequate reward for their part in turning Peugeot from a disaster five years ago, when it lost FFr341m (£33m), into one of the big contributors to the current success of Europe's motor industry, able to report a FFr8.85bn net profit last year.

Moreover, they have for long felt uneasy about being paid generally less than their colleagues at state-owned Renault. The sacrifice was just about possible to stomach when Peugeot was in trouble in the early 1980s, but much less so now, when the group is well into recovery.

Calvet: in response to demands for his resignation he retorts that most staff still back his plan to trim costs

Rome warns of BNL impact on delicate ties with Iraq

By Alan Friedman in Milan

ITALY'S Foreign Minister, Mr Gianni De Michelis, has warned that the scandal over billions of dollars of unauthorised Iraqi export credits extended by the Atlanta, Georgia, branch of Banca Nazionale del Lavoro (BNL) risks complicating Rome's bilateral rapport with Baghdad.

Mr Gianni De Michelis, in his first statement on the BNL affair, said the banking scandal had added "a new and thorny dossier" to Italy's delicate relations with Iraq. He said that economic ties between would be examined before the year-end hy a joint commission.

Iraq is insisting that BNL's Atlanta branch, which has already dishursed $1.85bn of Iraqi export credits out of a total of $3bn committed, hand over the remaining promised funds. These are $550m of unused credits that were confirmed and a further $600m-plus of unconfirmed credits.

Concern has been growing in banking circles and among Italian government officials that Baghdad might make the payment of a total of up to $4bn of outstanding debt owed to Italian companies conditional on the receipt of ths $1.15bn of unused and Atlanta-generated BNL credits.

Mr De Michelis did not make any direct reference to Iraq's demands that BNL pay out the remaining money, stressing instead the need "to find a constructive solution". He did, however, add rather opaquely that "at the same time we [Italy] should not be transformed into the instrument of Middle East initiatives about which we already have precise policies."

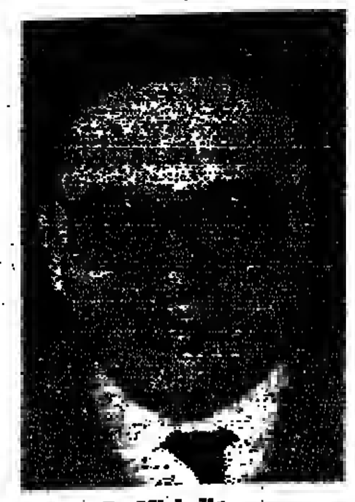
Ths BNL affair took on a more domestic political complexion with several leading Socialist and Christian Democrat politicians opposing the suggestion by Mr Guido Carli, the Treasury minister, that BNL and other state banks should be privatised.

Lobbyists for Italian hig industry have been using the BNL affair as a lever to push through privatisation plans that would see individual companies huying stakes in banks rather than offering bank shares publicly on the stock exchange. The Bank of Italy is opposed to big industry buying control of banks because of the danger of a conflict of interest.

At the weekend two board members of the Fiat group pressed ahead with the campaign to allow private sector capital to buy into state banks.

Mr Cesare Romiti, Fiat's chief executive, said that Italy's banks, having been less exposed to international competition than industry, were less efficient and the BNL affair was an example of this lack of internal controls and efficiency.

Mr Mario Monti, another Fiat board director, a prominent economist and vice president of the state-owned Banca Commerciale Italiana, repeated his views that industry should be allowed to huy into banks. Mr Monti suggested that a group of industrial concerns, each owning up to 20 per cent of a bank, might take joint control of banks.



Gianni De Michelis

Peace hopes for Angola in balance

African leaders meet again today to revive hopes of peace in Angola, but the man who holds the key to an agreement has said he probably will not turn up, Reuter reports from Harare.

Dr Jonas Savimbi of Unita said at his rebel headquarters in south-east Angola that his movement was likely to stay away from the one-day summit in Kinshasa, Zaire.

Diplomats say he is under heavy pressure to attend from his main backers, the US and South Africa, and may have to swallow his pride and come.

A ceasefire sealed by Dr Savimbi and President Jose Eduardo dos Santos of Angola on June 22 collapsed, leading to renewed fighting. The Angolan goal is to get Dr Savimbi to sign a political agreement and plan for monitoring a ceasefire.

France sends aid to Caribbean

The French Government is sending food, medicine, medical equipment and temporary housing to the eastern Caribbean island of Guadeloupe, hit by a strong hurricane at the weekend, Canute James writes from Barbados.

Officials on the neighbouring French island of Martinique say communications and power supplies on Guadeloupe have been disrupted by the storm, hundreds of buildings left without roofs and about 3,000 people made homeless.

Winds close to the eye of the storm, named Hugo, have been measured at 140 miles per hour. Several islands in the northeastern Caribbean have been affected by the winds and heavy rain which havs destroyed sea defences and caused flooding.

Hurricane Hugo was moving just west of north west through the archipelago last night and is expected to hit Puerto Rico later today.

Sri Lanka talks offer to rebels

The Sri Lankan Government, after the island's worst week of violence in months, yesterday offered Sinhalese rebels security and protection if they would join a peace conference.

Reacting to a week when 350 people were killed and 200 buildings set on fire, the Government said it was eager to ensure the participation in an all-party conference of the People's Liberation Front (JVP) and all other groups outside mainstream politics.

SHIPPING REPORT

Demand for tankers lifts rates

By Nick Garnett

GENERAL demand for tankers improved last week and in some cases resulted in modest improvements in rate levels, according to Galbraith's, the ship brokers.

Trade in and around the Arabian Gulf was particularly buoyant. Even though rates edged upwards, charterers were still able to get business at below Worldscale 50.

The Far East showed a slight premium for the smaller sized VLCCs (very large crude carriers). Japanese charterers paid about Worldscale 53.

Tanker owners operating from the Mediterranean raised their rates last week.

A typical voyage from the east Mediterranean to the US was in excess of Worldscale 50, with some owners asking just below Worldscale 60.

West Africa was an exception with rates falling last week. This was because many ships ballasted to this area when the market was buoyant a few weeks ago.

Most charterers took business at below last week's rates, with Worldscale 72.5 being paid for a 130,000-ton vessel to the US.

However, demand out of West Africa did improve a little, according to shipbrokers EA Gibson. Overall, large product carriers experienced a mixed week, the company said.

Rates for the dry cargo market fell last week, according to Galbraith's. It says, however, that the opinion of the market is that this will not last long.

In the Atlantic time-charter market, rates were down to about $11,000 per day for good Panamax types, with some ships willing to accept under $10,500 a day.

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OVERSEAS NEWS

Nationalism shakes foundations of Communists' empire

Quentin Peel looks ahead to tomorrow's Central Committee meeting in Moscow on the structure of the Soviet Union

SUMMERTIME has been a field day for the forecasters of doom in the Soviet Union.

Nationalists have been taking to the streets on every side, in ever larger numbers, openly demanding outright secession from the Soviet Union: in the Baltic republics, in Moldavia, Georgia, Armenia and most recently in the Shia Muslim stronghold of Azerbaijan.

Perhaps more ominous still, the mass miners' strike in July signalled the start of a spreading working-class rebellion, predominantly Russian but drawing support from all sides, demanding simultaneously both more radical reforms – and fewer of them.

In Poland, and to a lesser extent Hungary, the erosion of power of the Communist Party has sent tremors through the creaking structures of the socialist world.

And while the cat, in the shape of Mr Mikhail Gorbachev, took his annual summer break by the Black Sea, the conservative mice in his Politburo, led by Mr Yegor Ligachev, took the annual opportunity to play at ideological backsliding at home.

Now the moment of truth has come. Tomorrow the ruling Central Committee of the Soviet Communist Party holds its long-awaited, long-postponed plenary meeting on the agonising questions of national relations and the whole federal structure of the Soviet Union: questions that affect the very foundations of the Soviet empire.

So can Mr Gorbachev, towering as he still does above the other members of the Soviet leadership, hold it together in the face of so much upheaval? Could this be the beginning of the end for him and for perestroika, with all the conservative forces in the ruling party uniting to resist further change, and protect their own positions, as they did in 1964 in overthrowing Mr Nikita Khrushchev?

Or will the Soviet leader himself launch a counter-coup, and finally purge the Politburo of those dissident voices which profess total loyalty to perestroika but preach an unreconstructed gospel of rigid party discipline and central control: the voices of Mr Ligachev, Mr Viktor Chebrikov, the former boss of the KGB, and Mr Vladimir Shcherbitsky, the party chief in Ukraine?

Moscow is awash with rumours, yet the truth is that the light of glasnost has still not shone on the workings of the ruling party, and it is virtually impossible to tell whether anything so sensational is afoot.

However, even if a purge were possible, and Mr Gorbachev felt strong enough to force personnel changes through a Central Committee which still has a conservative majority, that may well not be the most important test tomorrow.

The real challenge is the one facing the Communist Party as a whole. Can that great monolith, after 70 years of unchallenged power, prove that it is capable of debating and resolving a deeply divisive question, and thus remain what it claims to be: the vanguard of society and of perestroika?

The leadership has produced a worthy document, for once attempting to analyse the background in reasonably realistic terms, believing previous policy prescriptions have been ambiguous and uninspired.

This has disappointed the Estonians, Lithuanians, Georgians and others who want the maximum devolution of power from Moscow – in effect to move towards confederation, if not outright independence.

But at the same time, it does admit many of the most glaring failures of the Soviet regime to date: how the Kremlin has been riding roughshod over national sensibilities in its industrial policy, destroying the environment, and often forcing people to migrate in large numbers.

"Indifference to the peoples' identity, and the fact that many social issues were left unresolved, echoed painfully in the peoples' consciousness and spread resentment, which was often taken advantage of to whip up tensions and fuel nationalist extremism," the document says.

Mr Gorbachev says the answer is a "transformation of the Soviet federation", devolution of economic authority, and of budgetary power, to the republics and regional soviets. But that still begs questions.

The party document still leans in favour of the centre and against the republics. "If a union law transcends the powers of the Union, the republics will be *within their rights to raise the question of its repeal*," it says. On the other hand, "a republican law *must be revoked* if it goes beyond the republic's terms of reference."

Who will own property and mineral rights: the republic, or central government ministries? Can the republics veto central government in embarking on industrial development which may damage the local environment? The Soviet Union has never before had any mechanism, public planning process or the like, to resolve such disputes.

Faced with an upsurge in nationalist sympathies, the Communist Party organisations in the republics have been desperately attempting to find a few nationalist clothes to cover their nakedness.

Mr Gorbachev needs the support of those outlying parties for his entire reform programme: they are the essential counterbalance to the conservatives. So he must make enough concessions to keep them happy, but not enough to unite Russian nationalists in opposition.

So far he seems to have been remarkably successful in keeping the old guard off balance. Indeed, poor Mr Ligachev found himself bundled off to East Germany for four days last week, looking more like the recipient of a snub than a self-confident erstwhile plotter.

But tomorrow is certain to see much agonising from all sides about the whole sorry state of the party, and deep misgivings about how far it can afford to make more concessions to the rising tide of nationalism without abdicating its authority.

For to remain relevant, the party will have to make itself far more of a federal structure and send back much of its own power to the provinces, a process which it has barely begun to contemplate.

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Estonians protesting last month at the 1939 German-Soviet pact which gave Moscow control of Estonia, Latvia and Lithuania.

Ukrainians march in support of church

By A Correspondent in Moscow

NEARLY 100,000 people marched yesterday through the Ukrainian city of Lvov, demanding that Moscow reinstate the banned Ukrainian uniate – or Catholic – church on the 40th anniversary of the occupation of the western Ukraine.

The demonstration was the latest in a series of rallies on the eve of a vital central committee plenum which the Communist Party hopes will "harmonise" the country's increasingly bitter inter-ethnic relations.

The Supreme Soviet in the republic of Azerbaijan on Saturday convened a special session, calling on Moscow to repeal the "special status" of Nagorno-Karabakh, the small enclave where an Armenian majority lived under Azerbaijan's jurisdiction until Moscow imposed military rule on the region in January.

Armenia was last night expected to reject the Azerbaijani demand, saying the Azerbaijanis would keep discriminating against Armenians if the Russians pulled out.

Much of the recent wave of activity has arisen from the pressure of Mr Gorbachev's own reform program. The Azerbaijani party organisation is desperate to regain its prestige before local elections in the spring.

However, other groups seem outraged by the Soviet Union's apparent increasing ungovernability.

On Saturday, several thousand Ukrainian conservatives gathered in Kiev's central stadium to press fellow citizens to take an "internationalist" approach to ethnic tension.

Washington's ways impress the visitors from Moscow

By Nancy Dunne in Washington

SOVIET political reformers quietly concluded a three-week US visit in Washington last week, little noticed as the glare of the media spotlight focused on Mr Boris Yeltsin, the former Moscow party leader.

Three delegates from the USSR Supreme Soviet, given responsibility to design rules, parliamentary procedures, committee and staff work and organs of government, enthusiastically lauded the virtues of American governmental institutions and said they had found much they want to adopt for the Soviet system.

Mr Konstantin Lubenchenko, head of the six-member delegation, introduced himself as one "of the first generation of Soviet congressmen" and compared the current Soviet reform process with early American history.

"It is very important for us to see how the government is able to represent the interests of many different groups of the population, how the Congress fights for improving the life of the electors in their election district," he said.

Ironically, one of the institutions which most impressed him was one which in recent years has lost its lustre in the eyes of many in Congress – the filibuster, frequently used to kill progressive legislation. Mr Lubenchenko proclaimed this "a guarantee against the dictatorship of the majority".

Astonishing their hosts with references to God, "red propaganda" and their own "ridiculous, paradictic system," the delegates talked stopping occasionally to argue points among themselves – about the need to establish a system of free market competition and "to turn our politics to the area of morals and human or Christian values".

While clearly impressed with American institutions, Mr Nikoli Fyodorov said Americans had taken their form of government from the best systems around the world, and now seemed to have developed "a superiority complex". If they didn't study events in the Soviet Union, Japan and Western Europe, the US might fall behind, he said.

The delegates mostly marveled over what they saw. Mr Lubenchenko said they would seek to buy American technology to set the kind of electronic voting system they saw in Congress to speed the process and allow the introduction of amendments.

They said many of their misapprehensions about the US had been set straight. Supreme Court Justice Antonin Scalia rejected an assertion by the chairman of the Soviet Supreme Court that the jury system was going out of use in the US. "When we return, we will aim to establish jury trials," said Mr Fyodorov.

The trip, sponsored in the US by the International Foundation, a US philanthropic group, is just the first of several fact-finding missions. The group plans to continue its studies in the UK and other Western democracies.

US-Soviet talks may settle date for summit

By Lionel Barber in Washington

THE US and Soviet Union resume high-level talks today on arms control, human rights and regional issues. They may result in an agreement on a date for a summit between President George Bush and President Mikhail Gorbachev.

At Moscow's request, Mr Bush is due to meet Mr Eduard Shevardnadze, the Soviet Foreign Minister, in the Oval Office on Thursday. US officials have been warned that Mr Shevardnadze will bring an important letter from Mr Gorbachev, but the Soviets have so far declined to provide details.

The Bush administration expects the week's meetings to produce an outline accord on exchange of information on chemical weapons and plans for mutual inspection of chemical arms plants. Officials also hope to agree in principle on monitoring underground nuclear tests of less than 150 kilotons.

These agreements are likely to be concluded later this week when working groups move from Washington to Jackson Hole, Wyoming, where Mr James Baker, US Secretary of State, has a ranch. Mr Baker plans to mix barbecues and fishing with discussions on issues ranging from strategic arms to Afghanistan, Nicaragua, narcotics, environmental and other "transnational" issues.

The superpower talks comes amid rapid – and highly unpredictable – change in the Soviet Union and Eastern Europe. Mr Lawrence Eagleburger, deputy US Secretary of State, last week said that despite its risks, the Cold War was characterised by stability and predictability among the great powers, and warned of "the danger that change in the East will prove too destabilising to be sustained".

The US has been noticeably restrained in its commentary both on the upheavals in the Soviet Baltic and the Caucasus, and on the recent flow of East German refugees from Hungary to the West.

Trucks block Austria-Italy roads

By John Wyles in Rome

NO GOODS traffic is expected to move by road between Italy and Austria today, following the failure of a political agreement between the two countries to appease Italian truck drivers and transport companies.

They were adamant at the weekend that the dispute would move into its second week tomorrow. They are counting on a growing commercial paralysis giving them the upper hand with both governments.

An estimated 15,000 trucks are now blocking the northbound autostrada approach to the Brenner Pass. Other customs posts are similarly closed to goods traffic, and the protesters are preventing the entry of Austrian trucks into Italy.

Northbound tourist traffic across the border has been reduced to an agonising crawl. Many Austrians returning home reported taking four hours for the final 30 miles to the border post.

It is still far from clear why the dispute suddenly erupted last week. Some Italian newspapers see it as a deliberate strike by big Italian transport companies and small owner-operators against Austrian transport policy.

This is becoming increasingly environment-conscious, to the extent that driving of heavy trucks between 10pm and 5am is to be outlawed from December 1. The Italian drivers are demanding the abolition of this restriction, together with an additional 30,000-40,000 transit permits above the 225,000 allocated to Italy this year.

A meeting between Austrian and Italian transport ministers on Friday offered few concessions to the truck operators. Austria agreed to release the remaining 31,000 transit permits still outstanding for this year and hinted that it might make a few more available if Italy was seen to make determined efforts to switch traffic from road to rail.

The Austrians want a considerable strengthening of the Verona-Munich rail service, which transports goods trailers on special trains. Unfortunately, the Italian state railway has neither the rolling stock nor the special engines needed to play its part.

Portugal plans privatisation law

By Patrick Blum in Lisbon

THE Portuguese government will present a new privatisation law to parliament this autumn to speed its sale of state assets.

Announcing the move, Mr Aníbal Cavaco Silva, the Prime Minister, said the re-privatisation programme was vital for improving the efficiency and competitiveness of the Portuguese economy.

However, restrictions imposed on foreign acquisitions of privatised shares would be maintained. At the moment, this limits foreign holdings in privatised companies to 10 per cent. It is not clear whether the new law will raise or lower the limit.

Mr Cavaco Silva said the law would have the "necessary flexibility" to enable, for the first time, compensation certificates – issued to former owners after 1975's sweeping nationalisations – to be used in the privatisation process.

The government argued it was not responsible for the nationalisations in the first place. Instead, it offered low-interest bonds based on a government valuation of seized assets which ex-shareholders say wildly underestimated their real worth.

De-nationalisation began in earnest this year with the sale of 49 per cent of Unicer, a brewer, and of Banco Totta e Acores.

International demand for privatised Portuguese shares has considerably exceeded supply. The recent rapid growth of direct foreign investment in Portugal has brought calls from the opposition for tighter controls.

OVERSEAS NEWS

Viljoen to oversee constitutional reform

By Patti Waldmeir in Johannesburg

SOUTH Africa's President, Mr F.W. de Klerk, has appointed a close political ally and moderate to the cabinet post responsible for constitutional reform.

However, the announcement at the weekend that Mr Gerrit Viljoen, formerly minister for black education, would be minister of constitutional development was the only important shift in the composition of the new President's Cabinet, in which most senior ministers were confirmed in their posts.

Mr Viljoen will lead the Government's efforts to engage black leaders in negotiations aimed at agreeing a new constitution.

A former academic with degrees in classics and law, he was previously head of the Afrikaner secret society, the *Broederbond*, and is viewed as a moderate.

The remarkable decision last week by Mr de Klerk to allow peaceful protest, legalising two of the largest protest marches in the country's history, is believed to be part of the process of reaching out to black leaders.

However, the choice of the new Cabinet gave no clear indication of any accelerated commitment to political reform on the part of Mr de Klerk.

He will begin his term of office this week with a Cabinet whose most prominent members served in the same positions under his predecessor, Mr P.W. Botha.

Mr Pik Botha continues as Minister of Foreign Affairs, where he is expected to exert considerable influence over the new President.

The Minister of Law and Order, Mr Adriaan Vlok, who has come under severe criticism from anti-apartheid leaders over allegations of police brutality, also continues in his post, as do the ministers of finance, defence and justice.

In an apparent attempt to widen his political base, Mr de Klerk has appointed two English-speakers to the cabinet, but in relatively junior positions.

The appointments come after a big protest vote from English speakers in the general elections on September 6.

Mr Kent Durr is minister for trade, industry and tourism, and Mr George Bartlett is minister of transport.

Mr Wim de Villiers, former chairman of Gencor, becomes Minister for Administration and Privatisation.

Viljoen: reaching out to black leaders

Beirut battle slackens after ceasefire call

By Lara Marlowe in Beirut

THE Arab League peace plan which called on Saturday for "an immediate and comprehensive ceasefire" in Lebanon received a warm international welcome over the weekend, even if it was not fully respected in Beirut.

Compared with the 14 hours of intense bombardment on Friday night – when 13 civilians were killed – the period following the reading of the communiqué in Jeddah by Prince Saud al-Faisal, the Saudi Foreign Minister, was calm. Only one person was killed and 14 wounded in artillery battles.

The latest appeal of the Arab League calls for a ceasefire, an end to weapons supplies, the lifting of all blockades, the reopening of Beirut's international airport and a meeting of the Lebanese parliament.

It does not appear to differ substantially from earlier pleas for ceasefires, all of which have been ignored. Only the setting of a date – September 30 – for the meeting of the Lebanese parliament at an unspecified location distinguishes it.

But this time, the Arab League committee has insisted, all parties to the conflict are willing to co-operate. Prince Saud yesterday met Mr Hafez al-Assad, the Syrian President, in Damascus to deliver a letter from King Fahd. The communiqué by the league's "troika" of Algeria, Morocco and Saudi Arabia was carefully neutral. Neither the presence of 40,000 Syrian troops in Lebanon – a taboo subject for Damascus – nor the need for reform of Lebanon's political system (which Gen Michel Aoun, the Maronite Christian leader, refuses to discuss before a Syrian withdrawal) was mentioned.

It is believed here that both issues have been addressed in preliminary negotiations led by French and Soviet envoys. The communiqué issued in Jeddah was, it appears, merely part of a hidden agenda.

Yesterday France welcomed the Arab plan and said it fully supported the proposed meeting of Lebanon's parliament. The White House also greeted the plan as a step towards reconciliation. Gen Aoun withheld comment.

According to reports in the Beirut press, Damascus has agreed to lift its blockade of Christian Lebanese ports on condition that political reforms follow soon after a ceasefire.

UK minister begins Hong Kong talks

By Michael Marray in Hong Kong

MR Francis Maude, the British Foreign Office minister with special responsibility for Hong Kong, last night started a three-day fact-finding mission in the colony. Right of abode in the UK for Hong Kong citizens, development of democracy in the territory and the Vietnamese boat people are likely to figure high on the agenda.

Mr Maude, who replaced Lord Glenarthur in Mrs Margaret Thatcher's July reshuffle, said that 100 days after the Chinese massacre both the Hong Kong and UK governments – and above all the Chinese Government – needed to restore confidence locally.

Mr Maude noted that official talks between Britain and Peking would resume next week, with the meeting in London of the joint liaison group. He said that though these talks would not be held in public "Hong Kong should know that its interests will be put forward robustly in private".

The joint liaison group meeting promises to be stormy following criticism of Britain by China after Mr Barrie Wiggham, a Hong Kong Government official, gave a speech addressing issues within the basic law, including the need to station People's Liberation Army troops in Hong Kong.

Algerian PM picks Cabinet

THE new Algerian Premier, Mr Mouloud Hamrouche, has mainly appointed Western-oriented technocrats to his first government, many of whom are reformers, AP reports from Algiers.

Mr Hamrouche, named to his job a week ago by President Chadli Bendjedid, picked Sid Ahmed Ghozali, former head of Sonatrach, the oil and gas monopoly, as Foreign Minister. President Bendjedid's announcement a week ago that Premier Kasdi Merbah had been dismissed for opposing his reform programme led briefly to a constitutional crisis.

Carter in Nicaragua on fact-finding election mission

By Tim Coone in Managua

FORMER US President Jimmy Carter arrived in Nicaragua at the weekend on a fact-finding mission into Nicaragua's electoral process.

General elections are to be held next February, and Mr Carter has been invited by both the government and opposition to be an official observer at these crucial polls and the electoral campaigns leading up to voting day.

Although Mr Carter has no official US backing for his mission, his viewpoint on the elections will carry weight in the US and could prove decisive in the future course of relations between the two countries.

The Nicaraguan government continues to refuse permission to official US government observers to the elections. However, President Daniel Ortega told Mr Carter such permission would be granted if the US suspended all aid to the Honduras-based Contras and instead used the funds to assist in the rebels' demobilisation.

"The best signal the US government can make that it is supporting the electoral process in Nicaragua is to cease its support for the Contras," he said.

Last month, the five Central American presidents agreed on a demobilisation timetable for the Contras which has so far not received the support of the US.

Under the plan, the Contras should be disbanded by the beginning of December and their repatriation or relocation in third countries organised by the UN and the International Red Cross.

The US suspended military aid to the rebels in 1988, but under an existing Congressional aid package will continue providing them with "humanitarian aid" until February next year. Attacks by the Contras continue to cause a steady stream of casualties in the Nicaraguan mountains.

Election observer groups from the UN and the Organisation of American States (OAS) have meanwhile already established offices in Managua and in cities in the interior.

Observer teams from the European parliament are due to arrive later this year, as are representatives from the US-based Centre for Democracy, a non-governmental organisation which observed the Philippines elections in 1986.

Mr Carter, who is the director of the Council of Freely-Elected Heads of Government, was an observer at the Panamanian elections last May, which he denounced as a "fraud".

The fact that both the government and opposition in Nicaragua view him as an honest and impartial observer, lends additional weight to his assessment of the electoral process.

After this initial fact-finding mission, Mr Carter will return to Nicaragua in December with a team of 20 observers to monitor the closing stages of the election campaign.

Confusion over Soviet convoy in Afghanistan

By Christina Lamb in Islamabad

CONTROVERSY continues over the whereabouts of a huge convoy of Soviet military hardware which entered Afghanistan from Torghundi on the western border three weeks ago.

The 1300-vehicle convoy is the largest Moscow has sent since their troops withdrew in February. During its journey to relieve the besieged city of Kandahar it came under heavy Mujahideen attack and was forced off the highway and on to a track through the desert last week.

The Kabul regime claims the convoy has reached Kandahar. However Mujahideen and western diplomatic sources in Islamabad say that only light vehicles made it across the desert to fight their way into the city from the south, and the main part is still 90 miles away in Lashkar Gar in neighbouring Helmand province.

● Troops have been put on alert in the volatile Pakistani town of Hyderabad after a gun battle in which at least three people were killed and 20 injured.

Police failed to disperse the rioters from rival ethnic groups using tear gas and opened fire. Eye witnesses said several shops and houses had been set ablaze and both sides had taken hostages.

Hyderabad, in the troubled southern province of Sindh, is the scene of frequent ethnic violence between Sindhis and Mohajirs, migrants from India. It is often under curfew.

Last September 200 people were killed when masked gunmen on rooftops and motorbikes sprayed the streets with bullets.

NZ minister sees era of prosperity

By Dai Hayward

NEW ZEALAND is poised to begin a new period of prosperity in 1990 as benefits of the harsh, wide-ranging economic and financial reforms of the past five years come to fruition, according Mr David Caygill, the Finance Minister.

Speaking at a London conference to mark the beginning of the 1990 celebrations of 150 years of European settlement, Mr Caygill predicted a new era of growing prosperity throughout the 1990s. He listed a number of factors to support this view.

Inflation is down from 18 per cent to 4 per cent. The Government's financial deficit has been cut from 7 per cent of Gross Domestic Product when the Labour government took office in 1984 to 1.5 per cent this year and Mr Caygill says he intends to produce a surplus in the next financial year.

The current account this year has shown surplus for the first time in 16 years. Overseas debt – and corresponding interest payments – have been reduced and government borrowing brought under control.

In addition, the removal of restrictive financial and industrial regulations, and reform of the tax system all brought widespread improvements to the farming, manufacturing and financial sectors.

The changes had not been without cost but were recognised in New Zealand as necessary to rid the country of the "fortress mentality" developed during the 1930s and to make it internationally competitive, Mr Caygill said.

"After two years of recession the economy is picking up as the benefits of restructuring take effect. Exports are booming, the balance of payments is in surplus and the Government has reduced its claim on private sector savings by drastic pruning of its deficit," he said.

"Cash from asset sales enabled us to reduce our debt and the proportion of the Government's budget needed to service that debt. A reformed tax system means business and individuals are making investment decisions on the basis of economic returns rather than for tax concessions. A more efficient public sector is giving the taxpayer better value for money along with improved services."

Speaking outside the conference, Mr Caygill said government targets for reform now included improved working standards in the docks, electricity generation and distribution, improved efficiency and cost structuring of town halls, and continuing efforts to make government departments more efficient and businesslike.

The Government is also planning to overhaul securities legislation, modernise business law and update building controls.

New Zealand's agricultural sector was already showing the benefits of the restructuring which swept away all farm subsidies and price support schemes. New Zealand did not pursue trade liberalisation to set the world an example but because it was in its domestic interest, he added.

WORLD ECONOMIC INDICATORS

INDUSTRIAL PRODUCTION (1985 = 100)

	July '89	June '89	May '89	July '88	% change over previous year
US	114.5	114.3	114.5	111.5	+2.7
W. Germany	113.6	111.1	106.6	104.8	+8.4
Japan	118.6	121.2	118.8	111.8	+6.1
	June '89	May '89	Apr '89	June '88	
UK	108.0	107.9	109.2	110.1	-1.8
Italy	116.7	115.1	115.9	113.1	+3.2
France	113.4	112.9	113.2	108.8	+4.2
Netherlands	103.3	104.2	106.1	101.4	+1.9

Source: (except US) Eurostat

OVERSEAS NEWS

Brussels presses telecom reforms to give EC more competitive tone

The Commission wants Europe to promote advanced services so that the region can keep pace with world rivals, **Hugo Dixon** reports

OTHERS ARE "training themselves, getting fit in their own markets. The risk is that the whole world market will be taken by global [telecoms] service providers which are not Europeans," according to Mr Herbert Ungerer, the European Commission official who has spearheaded its campaign to open up the telecommunications sector.

The fear that Europe will miss out on an important new market for advanced telecoms services is one of the reasons the Commission has been pushing member states to liberalise telecoms.

Another reason is that services such as data banks, private networks and electronic trading are seen as an essential weapon in the armoury European industry will need to stay competitive in world markets.

Red tape and artificially high costs have stifled the development of these services in most of Europe, compared with the US, the Commission says.

The market for data communications services is less than 10 per cent of the Ecu 75bn (£51bn) spent on all telecoms services in the Community each year.

Even though it is growing at about 25 per cent a year, the bulk of this activity takes place in the UK, which has already liberalised its markets.

The Commission's plan was discussed last week at an informal meeting of the Community's telecoms ministers at Antibes in the South of France.

Of the big five nations, only West Germany and the UK were in favour.

The others, led by France, were against the plan on the grounds that it would undermine the position of their publicly-owned telephone monopolies.

The ministers have offered to negotiate a compromise with the Commission, but it seems unlikely that the Commission will back down from its current intention, which is to push through deregulation unilaterally on April 1, 1990 if the member states fail to agree before then.

The plan is aimed at freeing up the market for data communications, where the monopoly held by the public telephone operators (PTOs) is felt to have the most important effect in stifling new services.

PTOs would be allowed to continue their monopoly over the basic phone service.

Data services fall into two main categories: basic and value-added services.

The dividing line is rather fuzzy but the central idea is

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that a basic service involves simply transmitting information from one location to another, while a value-added one involves adding software and electronic equipment to the system to manipulate the data.

People can rely on the PTOs for transmitting their basic data, either over the ordinary public network or using special systems called packet-switch networks.

However, 25 per cent of data sent across Europe's frontiers fails to reach its destination because the packet-switch networks do not interconnect properly, so companies which send large amounts of data would prefer to operate their own private networks which can be tailored to any special needs.

There is also a move to contract out the operation of networks to third parties – an approach that brings many of the advantages of private networks bnt not the inconvenience of having to manage and maintain them.

In the UK, where the price of leasing privata circuits is roughly in line with costs, and there is comparatively little red tape, private networks have proliferated.

Racal Electronics, for example, last year won a £300m contract to supply much of the Government's data communications needs over the next 10 years.

The UK's total spending each year on inland private circuits is over £800m, which is thought to be nearly as much as the rest of Europe pnt together.

Elsewhere, the price of leasing lines has been kept artificially high in order to deter the development of private networks.

The worst offenders are West Germany, Spain and Italy, where prices are often more than four times costs and can even be more than 10 times costs, according to Ovum, a London-based consultancy.

Private networking on the Continent is also made difficult by restrictions on what businesses can do with their leased circuits. The restrictions vary

Red tape and artificially high costs have stifled development of services in most of Europe compared with the US

from country to country, hut the main ones stop companies:

- Selling spare capacity to third parties;
- Linking suppliers and customers to the same network;
- Connecting private networks to the public network.

These restrictions have made private networking so unattractive that most companies have been forced to stick with the services offered by PTOs.

They have also deterred the growth of value-added services, which are usually offered through private networks.

The importanca of value-added services is that they speed np commercial transactions and eliminate errors by a combination of telecommunications and computer technologies.

Designing products, getting access to information, ordering components, invoicing customers and paying for goods can all be done electronically, instead of pushing pieces of paper.

This market is still in its early stages. The financial services and travel industries have had access to on-line data bases for several years.

Bnt more sophisticated value-added services such as electronic data interchange, which allows companies to swap orders and invoices, have only just started.

Most have been pioneered in the US by companies such as EDS, the General Motors subsidiary, IBM, General Electric and Tymnet, which was recently acquired by British Telecom.

Since the UK valne-added services market was liberalised in the early 1980s, British companies such as Istel, the former suhsidiary of the Rover car gronp, and Racal Electronics have entered the market, and US companies have spread their operations to the UK.

But companies complain of the frustrations of huilding pan-European networks. EDS, for example, says that in many countries it is not allowed to offer valne-added services to different customers over the sama network.

In some countries, it has got round this problem hy setting up separate networks for each customer; in others, it has been given an exemption to the rules but only provided it pays the PTO a surcharge, which can amount to 25 per cent.

"This is increasing our costs and putting us at a competitive disadvantage to the PTOs," says Mr John Wishney, EDS's European telecommunications chief.

The Commission's plan is to sweep away the restrictions on data communications, in the expectation that new competitors and new services will develop.

The governments opposing it, however, say that soch a move will mean thet traffic is diverted off their PTOs' networks, leaving them with uneconomic businesses.

This is a particular concern to such nations as Greece and Portugal, where the main priority is to build a decent basic phone service rather than promote imaginative new services.

The French, on the other hand, argue that it is possible for a state-owned monopoly to promote the growth of value-added services, pointing to the success of France's Minitel videotex service.

The counter-argument put hy the British and Germans is that everybody, including the estahlished PTOs, benefits from competition because it expands the market.

For example, in the four years since BT was privatised, its annual revenues have grown 50 per cent to £11bn and pre-tax profits have shot up 70 per cent to £2.5bn.

The opponents of liberalisation are prepared to see competition in the market for value-added services, but want to be allowed to maintain a monopoly over basic data communications.

The advocates of liberalisation say this would neuter the reforms, because basic data is a mnch larger market and there are fears that PTOs could exploit the fuzzy dividing line between basic and value-added data to prevent competition.

There seems no quick way of breaking this deadlock because the positions of the protagonists are so entrenched.

The Commission's intention of taking unilateral action could achieve liberalisatiou in name, but it is doubtful that this would he implemented with vigour in those countries which oppose the policy.

In the long run, however, the balance of forces may change if large telecoms users can make their influence felt.

They are in favour of cutting the red tape hut so far have largely been kept ont of the debate.

Norway's opposition bid for government

NORWAY'S three centre-right opposition parties will today try to form a government to replace the election-battered ruling Labour Party, Reuter reports from Oslo.

But policy differences, a sceptical public and dependence on a right-wing maverick they all execrate, mean the parties face a difficult and uphill task in their joint talks.

The Labour Party, under the leadership of Prime Minister Gro Harlem Brundtland, suffered its worst setback since 1930 in last Monday's national election, ending up with 63 seats, just one more than the perennially squabbling opposition.

Even if they reach agreement, the three parties need the support of the radical Progress Party for a majority in the 165-seat parliament.

The party's charismatic leader, Mr Carl Hagen, cashed in on high taxes, disillusionment with record unemployment and problems in the welfare system to win 22 seats and the balance of power.

But all three parties have refused to include Mr Hagen in their talks. They say he is unreliable and that his anti-tax, anti-immigration policies break with Norway's traditions of consensus politics and social democracy.

In return, Mr Hagen will not guarantee them his support unless they include him in their government, but has said he will probably help vote Mrs Brundtland out of office when Parliament reconvenes in October.

"The non-socialist parties will try to co-operate, they will fail and Brundtland will keep power," the conservative business daily Dagens Naeringsliv predicted in an editorial last week.

"I believe the centre-right has a 50-50 chance of success," said Dr Henry Valen, a political science professor at Oslo University. "But such a government would not last long."

The opposition differences have allowed Mrs Brundtland to rule virtually unchallenged with a minority government since 1986 – a fact that hardly inspired voters in the September 11 election.

Bnt Mr Jan Syse, the Conservative leader, is optimistic about his current round of talks with counterparts in the Centre Party and Christian People's Party.

"We have to do what we have promised – negotiate on how to give the country a new government," he said. "It is my clear aim and belief that these negotiations will be successful."

Walesa accepts invitation to S Korea

By Maggie Ford in Seoul

Mr Lech Walesa, the Polish Solidarity leader, is to visit newly democratising South Korea in December at the invitation of one of its opposition leaders.

Mr Kim Young Sam's Reunification Democratic party announced at the weekend that the invitation to Mr Walesa was part of the party's efforts to promote South Korea's relations with the Eastern bloc.

Mr Kim recently held a meeting in Moscow with Mr Ho Dam, a leader from communist North Korea, in collaboration with the Soviet authorities.

It is also possible that Mr Walesa will be seeking technical know-how from the South Koreans as part of efforts to rebuild Poland's ravaged economy. Over the past week, Mr Walesa has been telling workers that the newly-formed Government needs firm support for its economic programmes.

Mr Walesa's visit may provide an opportunity for South Korea to establish formal diplomatic relations with Poland, which has already set up a trade mission in Seoul.

Seoul's *"nordpolitik"* policy has so far only resulted in establishing diplomatic relations with Hungary.

Two Soviet envoys, including Mr Georgy Arbatov, an advisor to Mr Mikhail Gorbachev, stressed in Seoul last week that economic relations between Moscow and Seoul would be welcome but that the establishment of diplomatic relations were premature.

Communist North Korea, angered by Hungary's decision to recognise the South, has downgraded the level of its representation in Budapest.

● Meanwhile, Mr Donald Gregg, the new US ambassador to South Korea, has arrived in the country to prepare for the visit this week by Mr Dan Quayle, the US Vice President.

Mr Gregg's appointment to Seoul was held up by questions in the US Congress over his role in the Iran Contra affair. The US has not had an ambassador in Seoul for almost 11 months.

Mr Quayle will see President Roh Tae Woo, along with opposition leaders and cabinet ministers and will pay a visit to the demilitarised zone with divides the two Koreas. More than 40,000 US troops have been stationed in the South since the Korean war ended in 1953.

Talks for reviving cocoa agreement end in failure

By David Blackwell

TALKS AIMED at reviving the moribund international cocoa agreement ended in failure in London early on Saturday morning.

After a week of discussions which had raised some optimism, delegates from producing and consuming countries at the International Cocoa Organisation found it impossible to reconcile their differences.

By late Friday, a package had been put together which would have lowered the price range the agreement was trying to defend, cut the levy on the import and export of cocoa from $30 to $5 a tonne, and put $30m in the organisation's kitty to finance the next market support measures – a withholding scheme designed to take 120,000 tonnes off the world market.

However producers owe well over $100m (£64.3m) in levies. Consumers were not prepared to see the organisation pay out money to producers who were operating the withholding scheme but were still in debt to the cocoa organisation.

It now appears unlikely that the cocoa agreement will survive beyond September next year, when it is due to expire.

The existing pact has been in effect frozen since February last year when purchases were completed for a 250,000-tonne buffer stock.

The existence of the buffer stock has done nothing to stop a slide in prices because the world market is glutted with cocoa.

Drug maker for sale three years after buy-out

By Andrew Baxter

EVANS HEALTHCARE, one of Europe's largest players in the fast-growing market for generic (unbranded) prescription medicines, has put itself up for sale.

The decision comes less than three years after Evans, based near Horsham, West Sussex, won its independence from Glaxo, the big UK pharmaceutical group, through a £27.5m management buy-out.

It is likely to create considerable interest as Evans has a strong position in the £200m UK generics drug market, and is one of the world's few remaining privately owned vaccine producers.

The company's 640 employees were told on Friday of the decision to seek a buyer. Evans has factories at Horsham, Speke, on Merseyside, and Bradford, and a distribution centre in Dunstable.

Evans, which over the past year has been receiving financial advice from First Boston, has asked the investment bank to invite potential purchasers to submit offers. Mr David Moffatt, Evans's managing director, said the company had received many approaches since the buy-out, and interest had sharpened recently.

Partly because of that, Evans has decided to defer plans for a listing on the London Stock Exchange. Mr Moffatt said it would not be in anyone's interest to go through the expense of a public flotation if the company was to be taken over.

It has been known for some time within the industry that Evans's ownership position might change. Evans said et the time of the buy-out that it aimed to sell the company within two to four years. It is not clear what price Evans would command, but it is likely to be considerably higher than the buy-out sum, to reflect growth in sales and profits. In the year ended June 30, pre-tax profits before exceptional items rose from £1.94m to £2.65m.

However, Evans is unlikely to sell for the kind of multiples seen in recent bids for companies with a stronger base in original research.

The aim would be to link with a company with strong marketing in the EC and North America, and help the UK concern expand overseas.

Developers named for Bradford city scheme

By Hazel Duffy

BRADFORD council has appointed Leeds-based 3D Developments to carry out the £180m renewal scheme in the west end of the city. Some 7,000 full-time jobs will be created in the new centre there.

Arrowcroft, which was responsible for the restoration of the Albert Dock in Liverpool, was the other main contender for the Bradford development.

Mr Ronnie Farley, chairman of the Environment and Enterprise Committee of the council, said 3D's scheme showed vision and "will contribute to the revitalisation of Bradford." He added that the city was "establishing itself as the cultural capital of the north."

Tourism and leisure are the main features of the plans. They seek to make the Bradford centre distinct from other city renewal projects by capitalising on the cultures of its immigrant community.

The scheme revolves around a series of local and international pavilions, incorporating a conference and exhibition centre, speciality shopping, multi-screen cinema and a new arts centre.

Two-part Guinness trial sought

By Richard Waters

THE GUINNESS case returns to court today in the prelude to one – or possibly two – of the longest and most complex fraud trials ever held.

At a pre-trial hearing, the Serious Fraud Office will seek to have the trial divided into two. It believes that would make it easier for jury members to follow the complexities of the case – although critics claim the complexity is of the SFO's making, because of the large number of charges it has brought.

Mr Ernest Saunders, the former Guinness chief, who would be the only defendant common to both trials, faces 49 charges in all. He has complained bitterly about the prospect of being forced to endure two lengthy trials.

If accepted by Mr Justice Henry, a split trial will almost inevitably lead to a ban on reporting of the first, for fear of prejudicing the jury in the second. The full trial, or trials, are due to begin in January.

The case arises from the handling of Guinness's £2.5bn takeover of drinks group Distillers, completed three and a half years ago.

Mr Saunders and the six other defendants are alleged to have organised an illicit operation to support Guinness's share price in the final days of the bid, helping its cash-and-shares offer to prevail over a rival bid from Argyll.

CHRONOLOGY

1985 December Argyll bids for Distillers.
1986 January Guinness bids for Distillers.
April 18 Guinness wins Distillers bid.
December 1 DTI launches investigation.
1987 January 9 Saunders steps down as chairman and chief executive (later sacked by board).
May 7 Saunders charged with three offences.
October 8 Sir Jack Lyons charged wih nine offences.
October 13 Ronson charged with eight offences; Saunders with a further 37.
October 15 Seelig charged with 12 offences.
1988 March 10 Lord Spens charged.
March 25 Parnes returns to UK and is charged with 19 offences.
March 29 Court upholds Takeover Panel ruling that Guinness was involved in concert party for purchase of 10.6m Distillers shares.
April 8 SFO takes over Guinness case on its inauguration.
April 7 Mayhew arrested on three charges.

The charges centre on section 151 of the Companies Act, which forbids a company to use its own money to support its share price.

The case has struck at the heart of the country's financial community. Those arrested and charged have include Mr Roger Seelig, formerly corporate finance director at Morgan Grenfell and Mr David Mayhew, a leading partner at corporate brokers Cazenove. At the time they were two of the City's top corporate financiers.

If charges against the two were upheld, the shock waves would reverberate through the City – particularly at Cazenove, which has stood by Mr Mayhew throughout.

Also charged are stockbroker Mr Anthony Parnes and Lord Spens, former head of corporate finance at Henry Ansbacher.

The charges have also penetrated to the heart of the business community. Besides Mr Saunders, they have embraced Mr Gerald Ronson, chairman of Heron Corporation, who faces eight charges, and Sir Jack Lyons, the millionaire financier, who faces nine.

The investigations into the affair began nearly three years ago, prompted by information fed by US authorities which had been investigating the US insider trader Ivan Boesky.

Chairman of unit trust group resigns

By David Barchard

MR BILL STUTTAFORD has resigned as chairman of Framlington, the medium-sized unit trust group he helped to set up in the late 1960s.

His resignation came 17 months after Framlington fell prey to a £70m takeover bid by Throgmorton Trust.

That move was led by two of Mr Stuttaford's fellow directors on the Framlington board – who also sat on the Throgmorton board – Mr Peter Loach and Throgmorton chief executive Mr Bob Seabrook.

Mr Loach said yesterday that Mr Stuttaford had offered his resignation last week, giving a year's notice. He was however expected to remain on Framlington's board.

Mr Stuttaford's departure from Framlington marks the end of an era in the unit trust business, not least because of his stature as chairman of the Unit Trust Association until last year.

In recent weeks Mr Anthony Milford, another Framlington director, has also left the board, although he will remain in the company, and Mr Patrick Evershed, a director of one of the group's subsidiaries, was asked to leave after a reorganisation of its private client department.

The departure of Mr Stuttaford and his Framlington colleagues will cause little surprise in the City. The takeover by Throgmorton in April last year was initially fiercely resisted by Mr Stuttaford.

Management differences between Throgmorton's offshoot, Throgmorton Investment Management Services, which became part of Framlington in 1986, and Framlington were among the reasons prompting the takeover bid.

Five weeks ago, Throgmorton itself was taken by surprise at the resignation of Mr Seabrook, chief executive, who left on health grounds.

Soon afterwards it was disclosed that the Department of Trade and Industry was looking into share dealings by directors of edible oil manufacturer Acatos and Hutcheson, including Mr Seabrook.

However, Mr Seabrook continues to sit on Throgmorton's board, and the group says his resignation as chief executive was entirely unconnected with the DTI investigation.

Independent financial advice campaign boosted

By Eric Short

THE campaign to promote independent advice and independent financial advisers to the public was regenerated yesterday with the launch of a new marketing company called IFA Promotion.

It will take up the work initiated by the Campaign for Independent Financial Advice (Camifa), which now officially ends.

Under the "polarisation" requirements of the financial services legislation, intermediaries marketing life assurance, pensions and unit trust products must either be independent and deal with the whole market, or be the representatives of one sole company and deal only in the products of that company.

Company representatives can either be full-time employees of the company or simply be tied to the life company under a service agreement but trade under their own names. The latter are known as tied agents.

Several life companies, including most of the Scottish companies, which then relied entirely on independent intermediaries for their business, set up Camifa more than two years ago. Its aim was to promote the cause of independent financial advisers and to highlight the difference between them and tied agents.

Such companies originally pledged to take business only from independent advisers. But the campaign was almost halted when big building societies decided to change their status from independent to tied.

IFA Promotion has two aims. First, it intends to revitalise the promotional message to the public about independent advice and advisers.

Second, it intends that the advisers themselves should ultimately take on the full responsibility for the company.

At present, IFA Promotion is sponsored by 22 life and unit trust companies which have guaranteed £2m to meet the first year's operating costs.

However, independent advisers will now have to pay an annual fee to join the company – basically £100 a firm plus £10 an individual other than the first.

Camifa had no independent financial advisory membership and was funded entirely by its life company members.

Bisley considers £2.25m extension to Gwent plant

By Anthony Moreton, Welsh Correspondent

BISLEY Office Equipment is considering a £2.25m extension to its new £8m plant in Newport, Gwent.

Mr Tony Brown, managing director and sole shareholder in the office-equipment concern, based in Bisley, Surrey, said: "It is all a matter of interest rates. If they start to come down, I hope we can double the size of our Newport operation starting next year."

The company employs 40 workers at the plant, where production started this month. Mr Brown expects the workforce to rise to 60 by the end of the year and 110 by April. The extension should double the workforce to 220.

Bisley, a subsidiary of F. C. Brown (Steel Equipment), claims to be Britain's largest producer of steel storage cupboards and other containers for offices and third or fourth in the office supplies market.

Turnover last year was £23.75m and the company expects that to double by 1972.

Mr Brown said the plant would be one of the most modern office furniture factories in Europe, with the latest computer-controlled equipment.

OBITUARY

Lord Trafford: career as consultant and politician

LORD TRAFFORD, a Health Minister of State since the July reshuffle, died on Saturday from a virulent strain of lung cancer. He was 57.

His death will be seen as a setback to ministers' hopes to limit damage in the Lords to the forthcoming Health Bill, introducing the National Health Service reforms.

Lord Trafford was a former hospital consultant and an effective parliamentary performer. His role was seen as crucial in steering the legislation through the upper house. The Government relied on his professional expertise in convincing cross-benchers of its case.

He was admitted to hospital in Brighton, where terminal lung cancer was diagnosed, last Tuesday.

He was the Conservative MP for the Wrekin in the early 1970s before returning to medicine. He led the medical team that looked after the victims of the Brighton bombing in 1984.

Mrs Margaret Thatcher, the Prime Minister, said Lord Trafford had achieved a distinguished career in both politics and medicine, and that those who suffered in the Brighton bombing owed him an enormous debt of gratitude.

Mr Kenneth Clarke, the Health Secretary, said his death was a dreadful tragedy. A decision on his replacement is not expected until Mrs Thatcher returns from Japan on Saturday.

Baker says MPs failed to put Tory message across

By John Mason

FAILURE by ministers and MPs to take the Government's message out to the country earlier this year was blamed for the Conservative Party's current low standing in the opinion polls yesterday by Mr Kenneth Baker, the Tory party chairman.

He said the party must now be more outward-looking in its attempts to persuade the electorate about government policies and step up its attack on Labour's policy review document, which he described as a "gold mine" of ammunition.

Mr Baker's call comes when the latest opinion poll, conducted by Harris for the Observer, puts Labour 8 percentage points ahead of the Conservatives.

A copy of the agenda for the forthcoming Conservative Party conference also shows unease among party members over the poll tax "safety net" arrangements, the handling of the economy and the environment.

Mr Baker said the loss of popularity faced by the Government was "containable" and could be solved.

The Government's legislative programme earlier this year had led ministers and MPs to be too inward-looking. The party now had to be more persuasive about its policies and attack Labour much more, he said.

Kenneth Baker: more attacks on Labour needed

Mr Baker also hinted that the Government could move over the arrangements for the poll tax "safaty net" which have led to strong protests from concerned Tory backbenchers.

He said it was one aspect of the poll tax or community charge which had to be looked at. He agreed there was resentment among many people living in areas – often Conservative-held marginal seats – where the charge will be increased to subsidise other, traditionally high-spending, authorities.

Tory MPs in such areas have called for more financial support for the safety net – but have so far met with strong opposition from the Treasury.

Speaking on London Weekend Television's The Walden Interview, Mr Baker ruled out suggestions that the impact of the tax could be minimised by central government taking over the funding of education – the most expensive service now provided by local authorities.

That would be bad constitutionally, leaving local authorities with little else to do, and had educationally, running counter to government policy of devolving responsibility downwards.

Mr Baker dismissed suggestions that the public wanted more public expenditure rather than further tax cuts, saying that the two were compatible. Public expenditure, particularly in areas such as health, education and social services, had risen significantly, although it had declined as a proportion of gross domestic product.

PM will press for entry to Tokyo Stock Exchange, Page 10

Oil slick in North Sea after tanker collision

By Ian Hamilton Fazey, Northern Correspondent

TWO OIL tankers collided yesterday off Spurn Point, just outside the Humber estuary, causing a five-mile oil slick after the spillage of more than 1,500 tonnes of North Sea crude oil.

Fires started on both ships, but the 55 crew members on the Liberian-registered Phillips Oklahoma and the Maltese-registered Fiona were saved.

Efforts to contain the slick by spraying it with dispersants failed and it was carried into the North Sea. The spillage – assessed by the Humber Coastguard at 1,500 cu metres – was 10 times the size of that in the Mersey last month.

The coastguard said yesterday: "By spraying thoroughly within eight hours we anticipate that there will he no threat to the coastline."

Environmental groups and politicians called for oil companies to be made fully liable for all clean-ups after accidents. Mr John Prescott, Labour's Transport spokesman, said that funding cuts in the coastguard service meant radar controls were inadequate.

Law on council investments being reviewed

By Richard Tomkins, Midlands Correspondent

THE GOVERNMENT may consider tightening the law regulating local authority pension funds amid concern over investments made by the Derbyshire County Council fund.

The Department of the Environment confirmed yesterday that it had begun a review of the rules earlier this year, after investments made or planned by the Derbyshire fund were questioned in parliament.

Concern has focused on Derbyshire's investments in companies linked with Mr Owen Oyston, a businessman whose interests include the control of several commercial radio stations.

The connection hegan in 1986 when the Derbyshire fund, worth about £400m, invested £305,000 in News on Sunday, a left-wing tabloid newspaper that was launched in 1986 and failed the following year.

When the newspaper folded, the fund sold its stake to Mr Oyston – also a founder investor – for £400,000. At the same time, it agreed to pay £400,000 for a 25 per cent stake in Telemags, a company controlled by Mr Oyston.

A year later the Derbyshire fund paid a further £2m for a stake in Jebwill, a subsidiary of Telemags.

Jehwill subsequently used the £2m to take an 11 per cent stake in Red Rosa Radio, a company then being taken over by Mr Oyston.

Mr David Bookbinder, Labour leader of Derbyshire county council, yesterday defended tha fund's investments in Mr Oyston's companies.

He said if they had not been made, the £305,000 put into News on Sunday would have been lost. Instead, the investments were showing a net profit of £640,000.

Local-autbority pension funds are regulated by the Local Government Superannuation Regulation 1986, which imposes different requirements from those of private funds controlled by trustees.

The rules leave councils relatively free to invest, provided the portfolio is suitably diversified, the investments are suitahle for the purpose, and the administrators take appropriate advice from time to time.

No more than 10 per cent of the fund can go into unquoted securities and no more than 5 per cent can go into any one investment.

In Derbyshire's case, that wonld appear to limit its investment potential to £20m in a single project.

Earlier this year Derbyshire offered to invest £20m of its pension fund in Toyota, the Japanese car company, if it chose to site its European car plant in the county. Toyota did choosa Derbyshire, but tbe offer has not so far been taken up.

Checkland admits BBC overlooked move to right

By Raymond Snoddy

MR MICHAEL Checkland, director-general of the BBC, last night conceded that the corporation had failed to reflect in some of its reporting the move to the right in British politics over the past decade.

He said there was a point when the BBC had missed what was going on, although it was neither a leftist nor a subversive organisation.

Mr Checkland said: "The fact that the country hed moved over the last decade towards the right I think we probably missed in some of our reporting and I think we reflect that move now."

Politically, the BBC had been under ettack because it was considered that some of its programmes did not have the authority or depth of research they should have done.

That was one of the reasons why Mr Checkland had decided news and current affairs needed to be strengthened, with more money being spent and new people hrought in to ensure that the corporation had properly-researched journalism.

Speaking in a Radio 4 interview programme, Louder Than Words, hroedcast last night, Mr Checkland played down the threat of political interference. In his two and a half years as director-general he had not received calls from ministers or the Prime Minister.

"I don't think we are fearful in any way of covering the political issue," he said.

The BBC had done quite well out of the Government's white paper on broadcasting. It could have lost one of its channels or been prevented from carrying its present range of programmes, Mr Checkland said. Instead, their role as a provider of both popular and minority programmes was reinforced.

Mr Checkland said that the corporation had a lot of work to do in the run-up to the renegotiation of the BBC's Royal Charter in 1996: "We have to prove that we have a proper place in the new, competitive environment."

Interest rates 'risk to small businesses'

By John Mason

SMALL businesses are likely to suffer particularly badly next year by the Government's policy of high interest rates, according to a Labour Party survey.

The survey of local Chambers of Commerce showed that small-business investment was expected to flatten out in 1990, and fears that cash flow difficulties might lead to job losses.

Mr Gordon Brown, Labour's Treasury spokesman, yesterday said the survey showed that small businesses had been worst affected by the steep rise in borrowing costs.

He said: "Some small businesses have reported potentially damaging measures that have had to be taken to raise cash."

He urged the Chancellor of the Exchequer, to use his Autumn Statement to prevent further deterioration in investment prospects.

● Mr Bryan Gould, Labour's Trade and Industry spokesman, yesterday said that, under a Labour government, dividends were unlikely to be paid on shares in privatised utility companies such as water, gas, electricity and British Telecom.

He told BBC TV's On the Record programme that Labour would use the existing or proposed regulatory mechanisms to enforce its top priorities of increased investment and fair pricing. That would make dividends unlikely.

He said it remained Labour policy to return the utilities to public ownership by buying back shares at a "fair market price."

TSB to relaunch invoice discounting business

By Charles Batchelor

TSB GROUP PLC, Britain's sixth largest bank, is to relaunch its invoice discounting business, which provides companies with cash against unpaid invoices, as Hill Samuel Commercial Finance.

TSB first went into invoice discounting in June 1987 when it bought Boston Financial, then owned by the First National Bank of Boston, and changed its name to UDT Commercial Finance. When TSB subsequently bought Hill Samuel, the merchant bank, in October 1987, UDT was made part of Hill Samuel's operations.

Over the past two years the company, now renamed Hill Samuel Commercial Finance, has increased the value of outstanding cash advances from £19m to £55m and now has 160 business clients.

Hill Samuel Commercial Finance intends to offer commercial loans, alongside the cash provided against invoices, as part of a complete financial package to customers. It believes that will allow customers to meet all their financial needs within one organisation and give it an edge over competing groups.

Hill Samuel intends to target companies with turnovers of £3m and above. The 10 companies that make up the Association of British Factors reported a 22.5 per cent increase in business to £5.04bn in the first half of 1989 over the corresponding period of 1988.

Competitive bids for fire services urged

By Richard Evans

LOCAL AUTHORITIES should contract out their fire services by seeking competitive bids from private companies to ensure better value, the Adam Smith Institute, a free-market think tank, advocates today.

It argues that councils should be encouraged to form their fire services into separate private companies – possibly by management buy-out – and urges the Government to add fire to the list of six services that local authorities are already obliged to put out to tender.

The institute's report was immediately attacked by the Association of County Councils, whose members are responsible for running fire services, as being selective in its research and presentation and presenting overseas comparisons of dubious validity.

The main reason for the institute's advocacy of privatisation of the service is its alleged lack of efficiency. "Costs are constantly rising; restrictive labour practices limit management initiative; there is little innovative use of equipment or manpower," says Mr Michael Simmonds, the report's author.

"The economist would recognise these as classic symptoms of an over-regulated, non-competitive industry."

Mr Simmonds says he believes the increasing cost of the fire service must be a cause for concern to the Government. Overseas examples, especially in the US and Denmark, showed that fire services could operate effectively in the private sector. "Competitive tendering offers a realistic future for the service," the report concludes.

It cites evidence to show that the fire service in the UK is one of the most expensive in the world, with costs growing every year. The banning of all avoidable overtime by the Fire Brigades Union has made it difficult to respond to changes in manpower needs, and there is a rigid system of shifts.

"No commercial company, faced with competition, could survive these restrictive practices," declares the report.

The Association of County Councils said it was aware of concern about the fire service, and had already taken action to examine its efficiency.

The Audit Commission, the local government watchdog, concluded in a recent report that there were "only modest opportunities to secure better value for the annual expenditure," and that "the fire service appeared to be managed notably well."

The Burning Question. Adam Smith Institute, PO Box 316, London, SW1P 3DJ. £8.

PM will press for entry to Tokyo Stock Exchange

By Philip Stephens, Political Editor

MRS Margaret Thatcher, the Prime Minister, will this week press the Japanese Government to take further steps to liberalise its domestic markets and to grant admission to the Tokyo Stock Exchange to two British investment companies.

The Prime Minister, who leaves for a four-day visit to Japan later today, is taking with her a shopping list of measures which the Government believes are needed to give British companies greater access to the Japanese market.

In talks on Wednesday with Mr Toshiki Kaifu, the Japanese Prime Minister, she will voice her frustration at the Tokyo Exchange's continuing delay in offering membership to James Capel and Barclays de Zoete Wedd.

Mrs Thatcher is also expected to raise British concerns that the current US/Trade negotiations under the Structural Impediments Initiative (SII) could result in bilateral deals between Washington and Tokyo at the expense of European interests.

British officials say the ending of a row earlier this year over sales of Scotch whisky in Japan, and evidence that the country's economy and imports are growing strongly, have removed much of the traditional friction in trade relations between the two countries.

The Prime Minister, however, has come to regard the issue of stock exchange membership as a test of Japan's willingness to continue the process of liberalisation.

She has raised the issue with three successive Japanese prime ministers.

The issue is currently under discussion by a stock exchange committee, but Mrs Thatcher will stress that there must be no further delays and will seek a firm commitment that the issue is resolved by the end of this year.

British officials have also prepared a list of more fundamental changes which the Government believes are needed to reduce the huge trade imbalance between Japan and Europe.

They include cuts in agricultural subsidies and moves to curb high land prices by easing development restrictions.

In parallel, Mrs Thatcher will again emphasise that the openness of Britain's markets and financial system should continue to make it the first choice of Japanese companies setting up manufacturing plants in Europe.

Over the last two years Britain has attracted more than 35 per cent of total Japanese investment in the EC.

Mrs Thatcher will also hold talks with Emperor Akihito, and – as leader of the British Conservative Party – will attend the Tokyo conference of the International Democratic Union, a worldwide grouping of centre-right political parties.

Mrs Thatcher will meet US Vice President Dan Quayle during the conference.

She intends to use her address to the meeting to focus on the global environment and on the problems of international terrorism.

On her return to London next weekend she will stop off in Moscow for talks with Mr Mikhail Gorbachev, the Soviet President.

Call to toughen guarantee code

By David Churchill, Leisure Industries Correspondent

THE National Consumer Council, the state-funded consumer watchdog, is expected today to renew its call for a wide-ranging statutory guarantee of consumer rights.

The council hopes an MP who comes high in the ballot for private members' bills in the next session of parliament will sponsor legislation to put pressure on manufacturers and retailers of consumer products, such as cars and large domestic appliances, to give full guarantees to consumers.

The council's concern comes after a two-year study of consumers' difficulties under the present guarantee system. It found that manufacturers and retailers were often able to produce and market substandard goods because consumers were uncertain of their statntory rights.

The council wants manufacturers and retailers to be able to offer firm guarantees that goods will be repaired, replaced or a refund offered.

Such traders would advertise their support for these guarantees, which would have the force of law. Other manufacturers and retailers would have to display notices saying that no full consumer guarantee was being offered.

Concern over substandard goods being offered for sale was first voiced by the Office of Fair Trading in a 1986 survey, which found that some 28 per cent of adults were unhappy with a product they had bought in the previons year.

When the survey was repeated late last year, its compilers found that consumer dissatisfaction had risen to 38 per cent.

From this the OFT estimated that consumers spent £3.5bn on unsatisfactory cars and accessories and £346m on unsatisfactory household appliances.

● The Government is still considering its position on statutory consumer guarantees, Mr Eric Forth, the consumer affairs minister, argues in an article published today. "Regulation is not always the best weapon for fighting the consumer interest," he says.

In the 100th issue of Consumer Affairs, published by he consumer relations bureau of the J Walter Thompson advertising agency, he says the Government believes that "the best form of protection comes from consumers making well informed choices and acting in their own interests."

Consumers spending less on furnishings

By Alice Rawsthorn

HIGHER interest rates are taking a toll on consumer spending on household goods, such as furniture and soft furnishings, according to a new study.

In recent years the household goods sector – which also includes lighting, ceramics and floor coverings – has emerged as one of the most buoyant areas of consumer spending.

That was due partly to the dynamic state of the housing market in the mid 1980s and partly to an increase of interest in interior design.

The study by the TMS Partnership shows that the recent increases in interest rates have had a marked effect on expenditure on the home.

Spending on household goods rose by just 5 per cent in the first half of this year, compared with the first half of 1988. That represents a reduction in real terms and comes after an increase of 27 per cent in the second half of last year.

The slowing in expenditure is partly a reflection of the fact that fewer people are moving home because of the depressed state of the property market. It is also attributable to the effect of higher mortgage payments on disposable incomes.

The most dramatic decline is among people who have moved house within the past five years and are therefore more likely to have hefty mortgages. They spent 8 per cent less on products such as furniture and floor coverings in the first half of the year.

That compares with an increase in expenditure of 19 per cent by people who have lived in their homes for five years or more and whose mortgages are likely to be smaller.

Since the spring, there has been a pronounced increase in the incidence of short-time working and redundancies in both the carpet and furniture industries.

The Consumer Survey. The TMS Partnership at Oxford House, 182 Upper Richmond Road, London SW15 2SH.

Building a better public image

Paul Cheeseright looks at the changing role of the architect

ARCHITECTS have never been so busy. The surge in commercial property building has seen to that. Never, though, has their work been the subject of snch argument – Prince Charles has seen to that.

The verbal battle has been joined between the merits of modernism and classicism. Architects argue among themselves; they argue witb the Prince; they find themselves in the polemical front line. Yet their role in the development of a building has changed.

The favourite scapegoat now is the building of the 1960s, generally considered graceless, frequently found technically wanting.

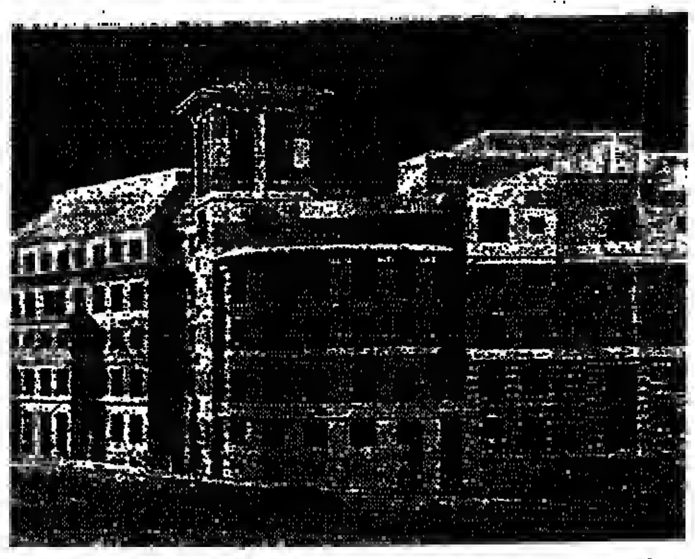
If you look at the way developers used to instruct architects then, observed Mr Godfrey Bradman, chairman of Rosehaugh, responsihle for some of the largest London office developments, "they would say 'get as much as possible on the site, see you at the topping out'; all the rest was just left. It might have taken five minutes."

Left in charge in such a manner, architects were able to insist that their way was the best way. Hence their reputation for arrogance and the general reaction, given the results of the 1960s work, of distrust of them now.

Bnt architects of the late 1980s are subject to a range of pressures that both make them more responsible and diminish their power. Their word is not likely to be the first or the last – it will be subsumed into team decisions. The design of a building will be a compromise.

In the case of a speculative development, the architect will have to respond in the first place to the demands of the planning authority. At meetings of the technical team of specialists, the architect will have to tailor technical ideas and those of design to meet the pressure of tha agents, with their perception of what potential tenants are likely to want.

The developer will be working within budgets set by reference to the rent that could be received for the building: the lower the rent and the higher the price of the site, the tighter will be the squeeze on costs. There will not be much room for the architect to indulge.



Angel Square, N. London: the architect's intricate design was possible only because of the surge in property prices

In the case of building for an owner-occupier, the architect will have to fall in with, unless he can convince otherwise, the ideas for use, sense of style and cost limits of his client. And those costs might be very tight. In the case of a manufacturing plant, the cost of the building is part of the cost of the product – the return on it can be quantified.

The architect's charges are usually in the range of 3 to 7 per cent of the value of the building contract: that is a matter of negotiation. Pressure to hold down their fees has diminished. Five years ago, competition among them was cut-throat. Too much work and too few architects has ended that.

The vast part of their work does not attract the attention of Prince Charles. But the pressure on them differs from project to project.

That is evident from two examples, the first looked at from the point of view of the developer, the second from the point of view of the architect.

● Balfour Beatty Developments entered a joint venture with Charlecote to develop a site next to the Angel underground station in Islington, north London. The company found a set of designs by Alan Murray Associates of Birmingham.

It was soon clear that Islington Council wanted something different, something ornate and detailed to complement the plain Bank of Scotland building next door. Rock Townsend, tha London architect, was brought in.

The Townsend designs, with their façades in diffarent shapes of stone, brickwork in two colours, the Florentine tower, the clock and sundial, immediately added 20 per cent to costs, Mr Martin Brimfield, the Balfour Beatty development director, explained.

In that case, then, the architect, because of the attitude of the planners, was in a position of great influence. "They had a relatively free hand," Mr Brimfield said.

The difference between the £100-a-sq-ft building costs Balfour Beatty had first envisaged and £120, plus inflation, was bearable only because rents more than doubled during the five years since the scheme was first mooted and because the council provided Balfour Beatty with some extra land so that a larger building could be constructed.

When it came to the interior of the building, now called Angel Court, the Rock Townsend influence diminished. "The architect had to work round detailed agency advice from St Quentin to see that the floor space is in line with commercial needs," Mr Brimfield said.

Now, as the project moves on, Rock Townsend's role is changing. "We have to take a slightly firmer role because now the thing is being built we have to see costs don't escalate any further." Mr Brimfield noted.

● Johnsons, tha Bristol architects, won a competition to design a new research and office complex for Pfizer, the pharmaceuticals group, at Sandwich, Kent. Pfizer had 65 acres next to existing plant and it wanted not simply to extend its facilities, but to create something that looked more like a science park.

Pfizer, Johnsons divined early on, did not want any buildings that looked like Milton Keynes. So Johnsons went for the pavilion style with pitched roofs. Tha architects have always been in the position of putting up proposals. Thus, explained Colin Bloch of Johnsons, eight options were presented in April 1987 with different elevations and different phasings for a three building project.

In some cases, design questions were going back to the Pfizer HQ in the US. Originally, for example, there was a proposal for flat façades with sun-screening clipped on; that was changed to providing shading by balconies.

Johnsons had to thread its way through both the engineering and research departments of Pfizer – the first responsible for providing the latter, the ultimate user, with the building it wanted. Engineers want the functional at the most economic price.

The research people had other factors to bear in mind: the use of the building to convey publicly their idea of Pfizer, a place suitable to greet visitors.

"A budget wasn't given at the start," explained Mr Bloch. The scheme was devised and then costed. "It is design-led, rather than cost-led", he said. The cost of the project is around £35m and it is now up to Johnson, with the first building near completion, to keep within that.

Kahn: maker of masterpieces, page 19

UK NEWS

Industrialists see fall in export, domestic orders

By Terry Byland

CONSIDERABLE uncertainty among British industrialists about future prospects is revealed by the latest monthly survey of industrial trends by the Confederation of British Industry, the employers' organisation.

The CBI survey for September discloses that both home and export order books have continued to weaken in recent weeks and predicts that there will be no further growth in manufacturing output over the December quarter.

Mr David Wrigglesworth, chairman of the CBI's Economic Committee, commenting that the economy is clearly slowing in response to the high interest rate policies and other measures taken by Mr Nigel Lawson, the Chancellor of the Exchequer, says: "The Government will need to watch the situation carefully. The economic warning lights are flashing amber. We must take great care they do not turn to red."

However, the significance of last week's announcement of a sharp fall in the domestic annual inflation rate to 7.3 per cent in August will be heightened by Mr Wrigglesworth's comment that the Retail Price Index has been influencing wage expectations, making it more difficult for British industry to contain unit labour costs.

The CBI's monthly trends enquiry, based on replies to a questionnaire sent to 1,411 UK companies, says that output expectations are at their lowest since January 1983. Order books continue to reflect the weakening in demand since last year, with 29 per cent of the survey regarding current order books as below normal. About 28 per cent saw their export order books in the same light.

A similar picture of slowing demand is also disclosed by the survey's conclusion that stocks of finished goods are still more than enough to meet current sales needs. Some 79 per cent of the firms surveyed regard their stocks of finished goods as adequate, or more than adequate, for present demand.

On output prospects, the balance of opinion reported by the survey has turned slightly negative for the first time for nearly seven years, although the overall prediction is that output is likely to remain broadly stable in the final quarter of this year. Only 20 per cent of those surveyed expect to increase output, and 21 per cent predict a decline.

Along with output and stocks expectations is the prediction by 64 per cent of participants that prices will remain unchanged. The CBI says that, with 21 per cent still expecting to raise prices, compared with 25 per cent in the August survey, price rises are likely to moderate.

Pressure on pay 'will remain for six months'

By Charles Leadbeater, Labour editor

PRESSURE for higher pay settlements will remain strong in Britain over the next six months despite last Friday's announcement that the annual rate of inflation fell to 7.2 per cent to August, a report published today says.

The report by Income Data Services, the leading independent pay research group, casts doubt on whether the fall to the annual inflation rate, from 8.2 per cent in July, will be enough to stall the momentum which built up during pay bargaining this summer.

The autumn and winter round of pay bargaining will start with a going rate of between 7.5 and 9 per cent, the report says.

Unit wage costs in manufacturing will soon deteriorate markedly, it warns.

The research group says there was a significant rise in settlements between January, when most bunched between 6 and 8 per cent and this summer, when most deals bunched between 7.5 and 9 per cent.

Its review of pay prospects for the coming year warns: "Pay settlements are likely to remain at this summer's levels through to the winter months, particularly if labour markets remain tight."

It continues: "This autumn will be the first opportunity for many groups of workers to gain increases to compensate for higher inflation over the past nine months and higher housing costs." It says that although the August 1988 rises in mortgage rates no longer show up in the annualised inflation figures, "this does not mean mortgage payers are suddenly better off."

IDS says that labour markets are likely to remain tight. Skill shortages will remain, despite slowing growth in output, as a result of the fall in the number of young people entering the labour market. Employers are becoming increasingly concerned that pay levels for graduates could jump before the 1992 single European market.

The rate of inflation is forecast to decline to about 7 per cent by the end of this year. But this will be significantly above the level forecast earlier this year when more than 1.34m public sector workers received pay awards set by their pay review bodies.

Higher than forecast inflation will fuel public sector pay demands, particularly from teachers who were awarded 6 per cent last April and nurses, who got 6.8 per cent, especially as these awards were followed by a set of public sector pay settlements worth 8.8 per cent this summer.

IDS predicts that manufacturing settlements will be influenced by deals at the car companies Ford and Nissan which will be between 9 and 9.5 per cent. The financial services sector is expected to continue to deliver most of its settlements above 8 per cent.

The price and pace of change, Page 18

● Imperial Chemical Industries, Britain's biggest manufacturing group, believes it will meet its target of employing roughly 400 new graduates this year, mainly for scientific and technical jobs, writes Peter Marsh. ICI has warned, however, that it expects greater problems over the next few years because of the likely shortage of young people leaving the universities in the 1990s, largely for demographic reasons.

New Sunday paper makes sell-out debut

By Raymond Snoddy

THE LAUNCH issue of the Sunday Correspondent, the first new quality national Sunday newspaper in Britain since 1961, appears to have been a sell-out.

The new paper printed 630,000 copies, more than had been intended, at five print centres.

By 11am the paper's circulation department estimated that between 90 and 95 per cent had been sold with reports from several parts of London of potential readers being unable to get copies.

Mr Peter Cole, the Sunday Correspondent editor, said yesterday: "I think perhaps we should have printed more copies." After the initial celebrations, the Correspondent staff will now have to brace themselves for the almost inevitable slide in circulation which follows the launch of any new title after the curiosity value has worn off.

Mr Cole said yesterday it would probably be the end of November before the paper knew what its future would be. The target is an average of 360,000 in its first year. Even rival editors yesterday were prepared to bestow at least grudging praise on the new title whose shareholders include Prudential Assurance and the Chicago Tribune group of the US.

Mr Donald Trelford, editor of The Observer, speaking on the Sky News programme The Editors, saw it as "interesting but not threatening to my readership," although he conceded that for a first edition it was "remarkably professional."

On the same programme Mr Peregrine Worsthorne, former editor of the Sunday Telegraph who now edits its four-page Opinion section, forecast that it could put The Observer on its back. "It's too successfully geared to do what The Observer used to, and I think it might well do it a bit better. I think The Observer could well go out of business," he said.

What is certain is that the arrival of The Correspondent, the paper billed as neither Wapping nor Tiny, a reference to the bulk of The Sunday Times, which is printed in Wapping, east London, and the alleged editorial interference of Mr Roland 'Tiny' Rowland the proprietor of The Observer, will bring a new competitive edge to the Sunday market.

Power users complain about supply proposal

By Max Wilkinson

LARGE industrial consumers of electricity have told the Government they are "horrified" by proposals from the supply industry which would limit competition after it is privatised.

In a letter to Mr John Wakeham, the Energy Secretary, the Energy Intensive Users' Group, said: "We are amazed at the blatancy of what is now apparently proposed and that the major generators should subscribe to it."

They were referring to recent press reports of a proposal from the 12 area electricity boards, and the two generating companies which will be formed from the present Central Electricity Generating Board, which set out the basis for a new privatised system.

The industry proposed that competition should be limited to those customers individually taking at least 1MegaWatt of power – altogether about 30 per cent of the electricity market. However, the two generating companies, National Power and PowerGen, would agree not to compete for more than half of these customers in any one area – leaving the other half for any new companies which may spring up when the market is opened. In exchange, the generators would be given long-term contracts guaranteeing them the full recovery of their capital costs, plus profit.

The 12 distribution companies would be granted monopoly franchises for the remaining 70 per cent of customers.

The letter to Mr Wakeham from Mr Ian Blakey, secretary of the users' group, says it would be "potentially disastrous" for the Government to go ahead with the incorporation of the new electricity companies on January 1 as planned, because larger users would not have enough time to work out reasonable contractual terms with suppliers.

The letter says: "We have long detected a desire among the present area boards to exploit their monopoly to the detriment of consumers."

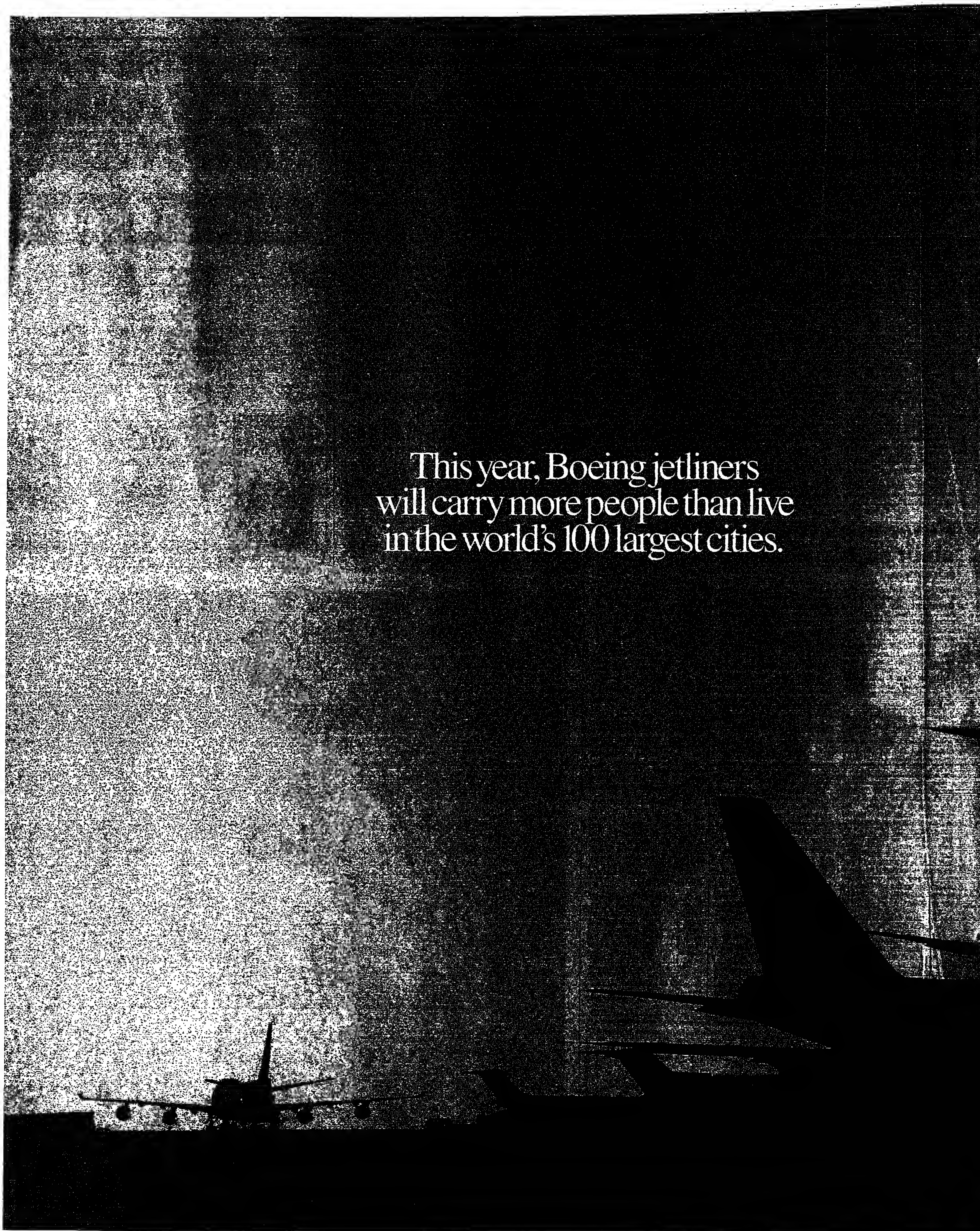
It adds that it was "intolerable" that only a proportion of the market of 1MW-plus customers would be available for National Power and PowerGen.

"The effect will be to create competition among customers, rather than the suppliers". This he says would be a "far cry" from the proposals in the draft law on electricity privatisation, which envisaged vigorous competition in the generation and supply markets.

The Department of Industry objected on competition grounds earlier this year to the idea that electricity supplies to area boards should be tied up in long-term contracts.

Mr Wakeham is said to be studying the industry's proposals, but has made it clear that his priority is to stick to the Government's timetable for privatising the industry within this session of Parliament. He is also said to be concerned that the future of British Coal should not be jeopardised by arrangements made within the electricity industry.

British Coal has told him that if unbridled competition and and short-term supply contracts were allowed in electricity, supply coal contracts would also have to be short-term. Any resulting big imports of cheap coal would threaten a new wave of pit closures.



Boeing jetliners will carry the equivalent of 12% of the world's population this year.

That's more people than live in Tokyo. New York. London. Beijing. Mexico City. Paris. Bangkok. Rio. Sydney. Cairo. And nearly a hundred other major cities.

The actual number of passengers will be about 675 million.

That sounds, of course, ike an unbelievably large number.

But when you consider that Boeing airplanes take off or land about a million times a month, an

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CONSTRUCTION CONTRACTS

Taylor Woodrow awarded Tube station rebuild

THE ANGEL, Islington, one of London's best known Underground stations, is to be rebuilt by Taylor Woodrow Management Contracting. The contract is worth £40m and is for overseeing and managing the design and construction work.

The station, on the Northern Line, at present has to be closed periodically to prevent congestion.

The company will be responsible for fitting out a new, larger ticket hall in the basement of an office block being developed next door to the existing station. From there, escalator shafts and pilot tunnels for the new platform concourse will be sunk.

The station now has lift access to and from the single island platform with trains passing either side. Under the contract, Taylor Woodrow will be responsible for buying and installing six escalators in two banks of three, the upper of which will feature what are thought to be the largest units in Europe.

Starting in November, TWMC will sink a vertical shaft to track level. From this, the new platform and running tunnels will be driven adjacent to the existing one. The tunnels and the step plate junctions at either end will be built while the station is being used.

The work will be scheduled to avoid disruption to the public. Commissioning of the new escalators will allow removal of the existing lifts and completion of the whole project by the end of 1992.

TWMC will manage the design process, which will be produced from a number of sources. Complete civil engineering design and concept designs for architectural, structural, electrical and mechanical work will be by London Underground.

TWMC will be responsible for the design co-ordination and for detailed design which will be carried out by Taylor Woodrow Group companies Taywood Engineering and Taymech. Escalator design will be by a specialist sub-contractor.

Northcroft, Neighbour and Nicholson will be quantity surveyors.

Office work in London worth £8m

TEAM Management (Southern) has won the £8m management contract for an office development at Vauxhall Gate, London, for the Harleyford Road Partnership.

The contract will provide 111,000 sq ft of lettable space. There will be underground parking for 150 cars and the development will be capable of being split into 39 separate serviced office units, each with independent access and parking facilities.

Each office will overlook an interior courtyard with landscaped gardens and a cafe.

The building will have a three-storey beam and column frame with basement on mass concrete foundations.

A glazed feature entrance atrium will incorporate scenic lifts and marble clad walls.

Leicester Square to have sub-station

TAYLOR WOODROW group has also been awarded the contract for building a primary sub-station in another of London's landmarks, Leicester Square. It will be built under the south end of Leicester Square Gardens and is needed to meet growing demand for electricity in the area.

Planned to be built on three levels down to a depth of 13.5m, the £7m structure will house three transformers, ancillary equipment and switchgear.

Ground conditions will require more than 180 foundation piles being sunk. Over these will be laid a reinforced concrete basement slab. A diaphragm wall 800mm thick will enclose the whole project. Internal floors will be built on a concrete encased steel frame.

A key element in the contract will be the preservation of five of the square's plane trees from root and above-surface damage. This will entail temporary site cover to prevent ground compaction, protective cladding of the trunks and possibly some tree canopy shielding.

A further difficulty will be the protection of an adjacent brick-built Victorian sewer, about 4.5m underground and close to the sub-station's diaphragm wall.

Taylor Woodrow Construction has already appointed the main sub-contractor for the project. Piling and building of the diaphragm wall will be by Cementation. TWC will also be responsible for the brickwork of internal walls, steel door installation, mechanical ventilation, plumbing, drainage and sanitary engineering.

Trafalgar House to fit out Leeds store

CONTRACTS worth more than £23m have been won by Trafalgar House building and civil engineering companies.

Willett is to build five two-storey office units on the Southfields Business Park in Basildon in a £2.8m project for Trafalgar House Business Parks.

In Leeds the company has been asked to fit out the new Marks and Spencer satellite store in the Schofield Centre.

In Southampton it will provide external weather proofing to an existing block of flats for the city council and at Woking it has won a £2.75m order to build a number of small office units in a courtyard at Forsyth Road.

T.H. Technology is the second Trafalgar House company to be awarded an appointment on the new sports centre at the Oval Cricket Ground for the design of the mechanical and electrical services for Eve Construction. The first was Cementation.

The work covers hospitality and press boxes and interview, lecture and changing rooms

Gammon Construction, owned jointly by Trafalgar House and Jardine Matheson, has been awarded a series of contracts totalling £14m for work on Hong Kong Island and Kowloon.

Bridge for tunnel access

NORWEST HOLST has started work on a £12m contract to build vehicle access structures to the train loading platforms at Folkestone's Channel tunnel terminal.

These comprise a 320m long multiple span bridge over the tunnel terminal tracks with access ramps to platform level.

The company is also responsible for constructing the track troughs between the platforms, ready for the track-laying works, and for extensive provision of service ducts and foul and surface water drainage.

Oil field jobs for John Brown

JOHN BROWN, a Trafalgar House subsidiary, has been awarded two contracts, worth £19m, by BP Petroleum Development, for its Bruce field.

The first is for the detailed design, engineering and procurement for the drilling platform topsides and the second for detailed design, engineering and procurement for the jackets for both the process, utilities and quarters platform and for the drilling platform.

Projects across the country for John Laing

MORE THAN £38m of new work has been announced by John Laing Construction.

In Bristol, Laing Management Contracting has started work as construction manager on a £17.5m office development for Standard Life Assurance while Laing Southern is to design and build a £6.9m leisure pool and library complex in Griffin St, Deptford.

Laing Southern has also won contracts for work on housing estates for Lambeth and Wandsworth councils.

Salford City Council has awarded Laing North West a £3m order for phase three of its civic centre, while Laing Scotland has won a £4.5m Grosvenor Developments order for a retail and office project in George St, Edinburgh

Laing Civil Engineering has been asked by the Department of Transport (Eastern Region) to build the interchange on the A13 road in Thurrock, which will serve the Lakeside shopping centre which is due to open in autumn next year.

Beazer wins renewal scheme

BEAZER Construction London has started work on a £5.7m rehabilitation/refurbishment contract by the London borough of Tower Hamlets. Work includes structural repairs, roof renewal and environmental improvements, and is scheduled for completion in April

Another Beazer Regional Construction subsidiary, Beazer Construction Southern, has started on a £3.5m office development at Crown House, Uxbridge Road, Rickmansworth. The low-rise block, a joint project between Beazer Ventures and Albany House Developments, will provide 8,250 sq ft of offices and will be completed in March.

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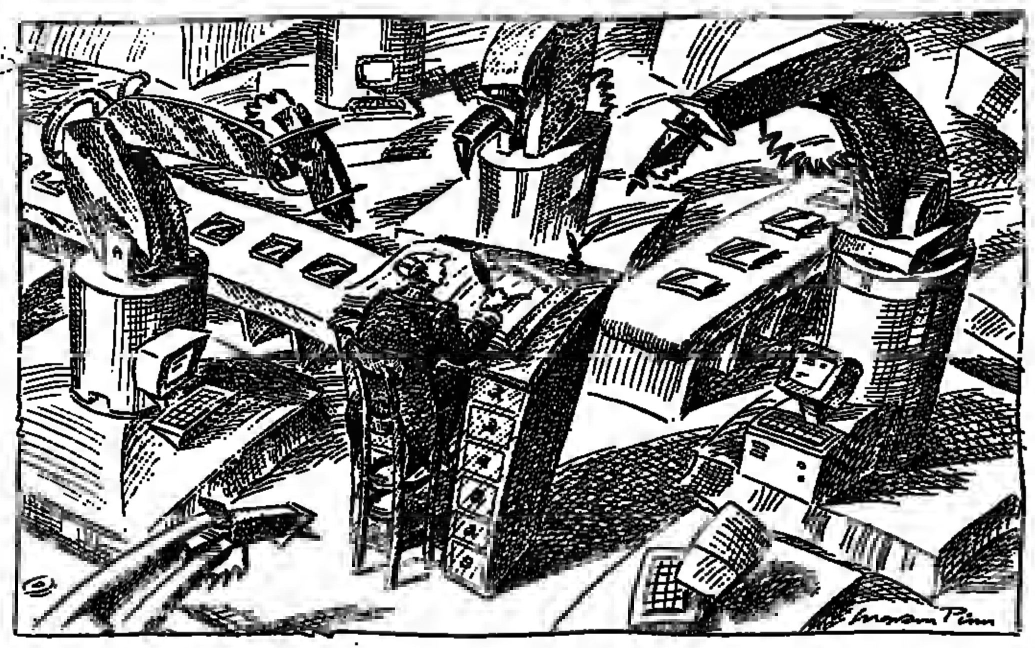
CGEE ALSTHOM BECOMES CEGELEC.

DDB NEEDHAM

Why manufacturing needs new accounts

David Waller assesses the dangers to competitiveness of sticking to conventional ways of determining true product costs



Manufacturing industry has acquired a whole new vocabulary in the past few years. Phrases such as "just-in-time" production, "world-class manufacturing", and CAD-CAM all bear witness to the accelerating pace of technological change on the factory floor.

In its wake has come a growing debate about whether this new environment requires as radical an approach to management accountancy as to management in general. The latest contribution to this came last week in a report published by the UK's Chartered Institute of Management Accountants.*

According to one school of thought, the application of traditional accounting techniques is not merely theoretically unsound, but a recipe for business disaster. This doom-laden prognosis has been advanced strenuously by business school academics in the US and their followers in the consultancy world.

"Today's management accounting information, driven by the procedures and cycle of the organisation's financial reporting system, is too late, too aggregated, and too distorted to be relevant for managers' planning and control decisions," contended Professors Robert Kaplan and Thomas Johnson in the first sentence of their seminal book on the subject, Relevance Lost.**

Although published two years ago, and trailed in journal articles for several years before that, the warnings sounded by Kaplan – a Harvard Business School professor – are still reverberating around manufacturing industry on both sides of the Atlantic.

Kaplan's central argument is that managers using information derived from wrong accounting criteria – particularly those dictated by the requirements of short-term financial reporting – receive misleading information and consequently take the wrong decisions on crucial issues such as product mix or capital investment.

In fierce markets where a company cannot dictate prices, the result can be a dramatic decline in competitiveness and a slide into losses. More important than the well-being of an individual company, Kaplan warned, was the probable adverse effect on whole industries, indeed on national economies, as trade battles intensified with the Japanese and other Pacific Rim countries.

Kaplan suggested that management accountancy required a revolution to match the revolution in manufacturing technology. He advocated a move towards a more sophisticated analysis of the costs that go into making a product. More radical, from the point of view of the traditional accountant, was the recommendation that managers place more reliance on non-financial criteria. These include the number of unexpected machine failures, ratios of preventive and corrective maintenance to total maintenance and reject ratios – all part of a drive to monitor quality and not just costs.

This view is not shared by the CIMA report, which argues for a gradualist approach – as suggested by its title: "Management Accounting: Evolution Not Revolution." But the report, written by Professor Michael Bromwich and Alnoor Bhimani of the London School of Economics, does acknowledge a degree of obsolescence in a number of important areas.

The key anomaly arises when sharing out overheads to determine the true cost of a product. The report points out that overheads – ie costs which cannot be tied directly to the process of manufacturing a given product – are generally allocated to a product with reference to the hours worked by staff on the shop-floor.

Is this not anachronistic, if the only workers there are minding the machines? Kaplan and Johnson visited one factory where direct labour accounted for only 4 per cent of total costs. Yet 65 per cent of the plant's cost system was focused on direct labour.

By following this approach, distortions can easily arise: for a start, a very small alteration in the number of direct labour hours worked has a dramatic – and wholly unrealistic – effect on the distribution of costs from product to product.

"After all," observed Kaplan and Johnson in Relevance Lost, "when product costs are reported with five or six significant digits, who would suspect that the first digit is wrong?"

What happens is that any product which uses relatively large amounts of direct labour begins to look very expensive. Accordingly, it may seem cheaper to buy in such mass-production goods from a sub-contractor and concentrate one's resources on low-volume high-value goods which require less direct labour. But these products may absorb the majority of the overhead.

Management may become preoccupied with recording labour time and explaining tiny variances against budget, while ignoring the basic fact that direct labour costs are a small proportion of the total.

This need for the conceptual barrier between overhead and direct costs to come down is the thrust of both Kaplan's work and the CIMA report. But the latter's recommendations are framed in the language of evolution and compromise, which may all too easily encourage inertia and complacency on the part of UK industrialists.

Kaplan is much more specific: for him the solution is something called "activity costing".

His first step is to identify the activities which go into making a widget: these could break down into purchasing, production, tooling design, administration and so on. The next, and crucial, step is to identify the factors which influence the costs of a particular activity (jargon refers to these as "cost drivers"). For instance, the major cost driver for the purchasing department may be the number of suppliers with which it has to deal: an increase in suppliers may have a far greater effect than an increase in the number of orders.

These cost drivers are then used to help allocate to each product the costs of particular activities. If product A requires a relationship with 10 outside suppliers while product B requires only one, then product A carries a much greater share of the purchasing department's costs.

This is repeated for each cost driver, building up a full picture of costs related to each product. The result is a much more precise allocation of overheads between products than a simple division of all costs into direct and fixed.

CIMA's report plays down activity costing but endorses one of Kaplan's key contentions: that UK companies should take a leaf out of the Japanese book and pay attention to non-financial criteria.

In Japan, "factors such as desired market share, cycle time, reject rates and innovation are given more weight in managerial decision-making than calculative exercises about financial viability." More specifically, products are priced with reference to their marketability – at a level designed to win a given market share – rather than on a cost-plus basis.

There appears to have been no industry-wide research into how many western companies have adopted such an approach in practice, although anecdotal evidence suggests that US companies are more aware of the problems – and the possible solution – than their counterparts in the UK. Nor is there comprehensive data on how activity costing – clearly a fiendishly difficult thing to design, implement and audit – actually benefits profits.

**Management Accounting: Evolution Not Revolution. M Bromwich and A Bhimani of the London School of Economics. Available from: Publications Department, CIMA, 63 Portland Place, London W1. Price £9.95 plus 75p for UK delivery, £1.50 overseas.*

*** Relevance Lost: the Rise and Fall of Management Accounting. H Thomas Johnson and Robert S Kaplan, Harvard Business School Press (1987).*

Additional research by Richard Waters.

Joint ventures

Where Europe falls short

Christopher Lorenz on the case for more collaboration

The imminent carve-up of Plessey by its fellow British electronics company, GEC, in concert with the giant Siemens of West Germany, has been attacked by critics as the triumph of oligopoly over entrepreneurship. But, in spite of the managerial complexity and potential for conflict within alliances, more such intra-European collaboration is needed if Europe's technology-intensive companies are to avoid being "balkanised" still further, according to a leading American consultancy.

The GEC-Siemens collaboration is a "first class example [of collaboration] between two previously improbable partners," says the Stanford Research Institute (SRI), adding that the number of other "cross-European linkages (is) . . . too low for comfort."

Commenting on the results of a study it has made of the attitudes of 36 European, US and Japanese companies, SRI warns technology-intensive British companies in particular that they are uniquely disadvantaged in Europe by what it calls "casino capitalism". Partnering in continental Europe should now become a "must", it advises.

For European companies as a whole, the study's catalogue of warnings makes sober reading. Japanese companies are taking a more pro-active role in the establishment of alliances, it suggests, while most Europeans (and Americans) occupy a reactive position.

Not only that, but European companies tend to have relatively unclear objectives for their alliances. As SRI says: "This is clearly a mistake."

European companies may also have unrealistic expectations that alliances will help them exploit their own technology, the consultancy suggests. With more and more Japanese companies negotiating alliances primarily in order to gain access to the single European market, continental and UK companies "desperately need to negotiate for reciprocity." In other words, they have been giving away something the Japanese are crying out for.

SRI also reports that European alliance partners, like their American counterparts, tend to delegate responsibility for an alliance to project managers who are not senior enough, or are not suitably qualified, to exploit its strategic potential.

Though the main brunt of SRI's criticism falls on European companies, the study also reports that most collaboration partners – including the Japanese and Americans – are still not applying general rules for entering and managing technology alliances.

The tendency to deal with alliances on a "case-by-case" basis seems at odds with their highly risky nature, says SRI, and with the importance most companies claim to attach to them.

For half the respondents, about 30 per cent of their total business was already involved in alliances. Although cost-sharing was a less significant motive for entering an alliance than SRI expected (far less weighty than exploiting others' technology, and access to others' markets), getting value for money did emerge as by far the single greatest problem once an alliance was under way.

Only half the proportion of respondents cited the dangers of becoming alliance-dependent (16 per cent) and of one partner always gaining more than others (15 per cent). Other specific problems were "legal wrangles" and that alliances were "too complex to manage" (both nine per cent), with "net loss of proprietary technology" surprisingly low, at only seven per cent.

Concern about the latter was, as expected, higher among Europeans and Americans than the Japanese. But this common awareness of risks does not explain why the European companies in SRI's sample expressed themselves pleased with the progress of their alliances, while almost all of the Americans were not (a quarter described their alliance performance as "rotten").

One reason may be the Europeans' relative lack of clear objectives – that they may have been all too easy to satisfy.

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The ham and eggs syndrome

SIEMENS may have been forced by takeover hurdles into using joint ventures to break into Britain and other markets where its presence has been weak (see above), but that does not mean its managers are all comfortable with this strategy.

In a paradoxical coincidence, Siemens' joint success this month with GEC in gaining control of Plessey – and paving the way for the establishment of several GEC alliances – was marked by the European publication of a book in which, on behalf of the company as a whole, a senior Siemens manager disparages alliances in no uncertain terms.

The book, International Joint Ventures in Action, by Susan Goldenberg*, was first published last year in the US.

It sheds useful light on why certain leading companies – including Siemens – relegate them "to last place in their corporate strategies," according to Goldenberg, whose research was done before the GEC deals.

In a memorable if convoluted image, a Siemens manager called Joerg Wehr explains in the book that this is because "the purpose of joint ventures is to produce ham and eggs. But while the chicken only has to lay an egg, a pig must be slaughtered to produce ham. Thus the pig does not want to make its contribution. The same is true in a joint venture – neither partner wants to be the pig." Which, being translated, means that one partner in a joint venture usually loses out to the other. Wehr goes on to warn that "joint ventures entail management problems that are costly in the long run."

Whether his bosses would allow him to be so frank today must be doubtful. Which makes his views all the more valuable.

* *Hutchinson, £25.*

Richard Paul Fink

Alastair Muir

Der Freischütz

NEW THEATRE, CARDIFF

Der Freischütz it remains, not "The Free Shot" or whatever, even though Weber's masterpiece is sung mostly in English in Welsh National Opera's new staging. Much else though has been translated; in their efforts to make credible the essence of this most folksily Germanic of all 19th-century operas, prodncer André Engel and designer Nick Rieti have transplanted the action from Bohemian woods and fields to an expatriate German community somewhere in the New World (the Appalachians possibly?) where the corn may be as high as an elephant's eye but traditions are being strennously preserved while class structures gradually shift.

It is an intelligent, considered reworking, generally following the grain of the opera rather than rubbing against it, and minimising the involuntary guffaws that Kind's libretto can produce. The action is confined indoors – airily timbered barns and meeting houses for the outer acts, a tent for Agathe's bedroom, and no Wolf's Glen at all – Kaspar summons his familiars and forges the bullets in the barn, resorting to his Old World litanies and the original German text to do so. The Huntsmen's Chorus in Act 3 also reverts to German, as the community invokes its indigenous culture, parading banners with the eagle motif that a century later would represent a very different hrand of German nationalism. Many of the visual symbols are teasingly double-edged: the Hermit bears the stigmata, but when he raises his hat at the final curtain it is to reveal a neat pair of horns.

Engel has supplied the dialogue, unobtrusively tailored to the transpositions, though its delivery proves the production's weakest dramatic point: American accents come and go – in this context it does not help that both Max and Kaspar are sung by native Americans – so that there are moments when it all really does seem more like *Oklahoma!* than a *Volksoper*. When music takes over, however, averything tightens: Peter Hirsch conducts the faster music with real intensity – the Wolf's Glen scene builds to a ferocious climax – though he lets lyrical passages sag sometimes. The WNO orchestra's deficiencies are found out by this perilously exposed score hut the rhythms are crisp and the textures agreeably astringent.

The cast is competent too, without aver being ontstanding. Joseph Evans takes an act to focus Max, but sings with dryish urgency from then on; Richard Paul Fink is required to conduct Kaspar'a Act 2 dialogue with Samiel as a self-communion and turns it into a *tour de force* (Geoffrey Moses is credited with the diabolic part in the cast list, but his contribution appears to be confined to echoing the counting of the bullets from loudspeakers high in the auditorium). There is a perky Annchen from Eirian Davies, and capahle, warm Agathe from Rita Cullis, though she suffers more than most from Hirsch's rather lingering treatment of the slower music. Good support from the smaller roles too, theugh the chorus is given little to do save deliver their lines cautiously. B plus all round for achievement then, in a work that is hard to realise in the contemporary theatre; once the components are run in it could well score even higher.

Andrew Clements

Uncle Vanya

LYTTELTON THEATRE

Whatever changes there might have been at the Moscow Art Theatre in recent years, the company's welcome return to London for just five performances of Chekhov's *Uncle Vanya* at the National Theatre reinforces the *old* impression of a crack ensemble working closely on a text they revere.

Post-modernism and the New Expressionism mean nothing in the Soviet theatre; even the best of Lyubimov and the Rustaveli are imbued with the richness of tradition, a style of heaviness. But the playing, as here, can be light as well as dense.

Innovation is not the right word, but if Oleg Yefremov's production does have a new slant, it is in opening up the landscape of the Serebriakov dacha and surrounding territory to illustrate what the professor means by the impracticality of staying on.

In a wordless prologue, we see Sonya transfigured on a local tor while Vanya stirs blankly from his nap and struggles into the living room. The set then moves into action with verandahs and balconies opening into the garden; then closing for various interiors.

The glum night-time revels involve a sort of stagehand's paperchase. We see Astrov leaving up a muddy mound; later, an illuminated façade appears through the burnt orange vista of autumn farmland.

Even at the end, after the departing bells and hooves are overlaid with cicadas and Vanya's clicking abacus, the set starts moving around during Sonya's tear-stained epiphany, so that the doomed estate manager can be spotlit with a single lit window picked out in the distance.

I M Smoktunovski and Ya K Lisovskaya

Alastair Muir

London will remember Innokenti Smoktunovski from his performance in a World Theatre Season presentation of *The Idiot*. And his blond cinematic Hamlet was unforgettably electrifying.

As Vanya, he is grizzled and grey, but still a very fine figure just going to waste. I miss the simmering rage of Michael Gambon's massive, dumb-struck human oak last year. But as Brian Cox says in the programme, you can tell his relationship with Yefremov's sprucely impassioned Astrov runs deep in years.

The porky professor drops his bombshell, he is chased from pillar to post like a stuck pig.

There is nothing hysterical or overdone, the gestures are of an entirely natural elegance. The hidden morphine is retrieved not from a drawer but from his drawers, and he flings down the gun after the failed murder bid with as much annoyance as self-loathing.

This sequence is also funny, as it should be, from the moment he appears in the doorway with a tub of flowers to find the professor's languorous wife, Yelena, in the arms of his best friend. And when the porky professor drops his bombshell, he is chased from pillar to post like a stuck pig.

All the small parts are played with the detail and veracity you would expect. The simultaneous translation sounds fleetingly like Michael Frayn's, which sounds odd when Ya K Lisovskaya's moving Sonya is husy piecing together the sort of beatific, sentimental reading Frayn denied.

Michael Coveney

ARCHITECTURE

Kahn: maker of masterpieces

It has been compared with the Parthenon, and is certainly visited as an architectural shrine in the Texan sun. The Kimbell Art Museum at Fort Worth, Texas, designed by the architect Louis Kahn during the period 1967-1972, undoubtedly has the status of an established masterpiece. I visited it again last week, partly as a regular architectural pilgrimage but also because there are major plans afoot that will radically alter this great building.

Every museum in the world seems to want to grow. The wisdom of this is uncertain: I can foresee long empty corridors and galleries unvisited, simply because there is a point at which museums become exhausting and any aesthetic pleasure is overcome by a sense of surfeit. However, this does not daunt trustees and museum directors; the perfect Kimbell is to grow.

Before considering the proposed large extensions, it is worthwhile to look again at Kahn, and the Kimbell, and see what the qualities are in both architect and the building that are so remarkable. In these days of long overdue and fervent architectural debate, Kahn is a key figure. He died suddenly in 1974 aged 73. His great talent flowered late, and when he died some of his best work in India and Bangladesh was just beginning to rise, and his drawing board was covered by major projects for American cities. His best known buildings are the Salk Institute at La Jolla in California; The Exeter Library in New Hampshire; the Kimbell Museum in Fort Worth and the Yale Centre for British Art, which was completed in 1977.

Kahn built for ten years after a lifetime of learning. He studied architecture at the University of Pennsylvania at Philadelphia under Paul Cret, who taught in the classical Beaux Arts tradition. In Europe he acquired a particular love of mediaval architecture and antiquity. With this firm basis, his buildings developed along entirely modern paths, using structural techniques and materials that defined what he called an eternal order.

He was something of a mystic about architecture and as a teacher he would meditate about structure as the "maker of light." He would ask materials what they "wished" to do. Bricks "wanted" to be arches, large spaces "asked" for the support of concrete.

What he achieved was a remarkable fusion of past and present in contemporary reality. At the Kimbell the galleries are vaulted and naturally lit. "My mind is full of Roman greatness," Kahn wrote at the time, but saw his vaults at the museum as "rising not high, not in an august manner, but somehow appropriate to the size of the individual. And its feeling of being home and being safe came to mind."

The vaults do make for beautiful rooms, with the use of fine but simple materials, travertine walls and quarter sawn white oak floors. He also understood paintings. "I thought of the painter who paints by light, and the changing moods of a painting under natural light. I wished to create rooms where paintings and sculptures could feel suitable and comfortable." He had an unusual humility for an architect but this did not prevent him from designing and building powerful and lasting architecture.

The proposal to add two new wings to the Kimbell is a decision of major architectural importance. The work is to be carried out by the architect Romola Giurgola, who is based in New York and best known for his winning and built design for the new parliament in Canberra. The brief is a simple one: to copy Kahn. Even the master's working drawings will be used.

But there must be an anxiety, particularly about the siting of the wings. They are to be added by simple links to each end of the existing galleries. One will be built over the existing car park and one over the Nougouchi garden. The principal new use will be to provide exhibition space, as the director Edmund Pillsbury said, "museums nowadays are event oriented," and it is exhibitions that ensure a high level of public support.

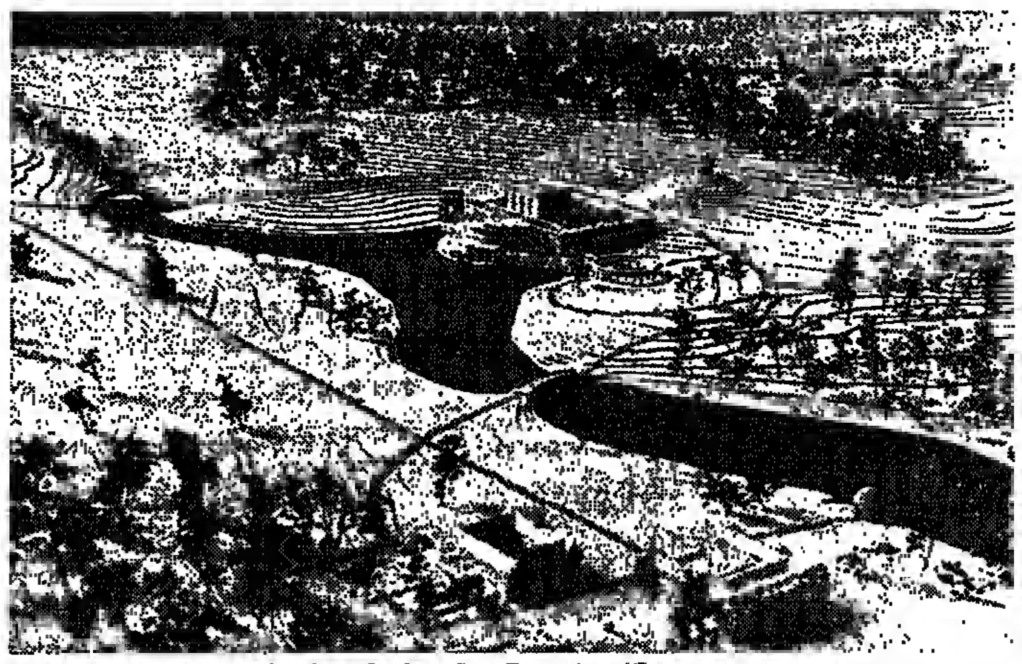
I fervently hope that the new wings will not damage the Kahn masterpiece. It is tempting to wonder what Kahn would have proposed; it is only possible to guess and my guess is that he would not have added to something he clearly saw as a complete whole. There is the most marvellous sense of visiting a large, but not too large, private house when you go to the Kimbell and the serious danger is that the large new wings will make the place feel more and more like an institution.

★

The result of the design competition for a new opera house that may be built at Compton Verney in Warwickshire was announced last week. John Outram from England and Henning Larsen from Denmark were the two finalists presented to the council of the proposed theatre for them to select the winner. They chose the Danish architect Henning Larsen, who is best known for his monumental Ministry of Foreign Affairs in Riyadh, Saudi Arabia. The winning designs of the six shortlisted firms can be seen at the Royal Academy until the September 24 and from October 4-15 at the Ikon Gallery, in Birmingham.

The judges had a hard task as all six schemes were, within their own terms, of a very high quality. It is interesting that the two British entries (Stirling and Outram) which best understood the difficulty of building a giant neighbour to 18th century buildings by Vanbrugh, Adam and Gibbs in a Capability Brown park, were overruled in favour of a revival of Nordic classicism. It was a brave competition and the only problem now is to raise the £30m which, it has to be said, doesn't sound nearly enough.

Colin Amery



Henning Larsen's winning design for Compton Verney

King Lear

ALMEIDA THEATRE

The Royal Shakespeare Company's season at its Islington outpost opens with a paradox: a production of *Lear* without great acting or famous names which is as true as a dye, goes straight to the heart of the play, and with its accumulated impact is infinitely more moving than vaunted productions at the National Theatre or the Old Vic in recent times.

The producer Cicely Berry, tha company's Director of Voice, sets out to tell the story. As so often in Shakespeare, when left to themselves and uttered simply the words have a terrible resonance. Never has Kent's departing couplet, "I have a journey, sir, shortly to go;/My master calls me, I must not say no," set off such almost religious echoes and reverberations with its simplicity. Whole scenes make more sense than usual. The passage where the disguised Edgar pretends to lead his blinded father to the edge of a cliff can seem both pointless and interminable. For once Edgar's almost throwaway explanation ("Why I do trifle thus with his despair/Is done to cure it") utterly convinces. The episode falls perfectly into place.

Not that the prodnction lacks imagination in such touches as the whispered offstage echoes of onstage lines, or the entrance of the dead to stand, heads bowed, as witnesses of the closing scene. The opening dialogue is hushed and tense as the nobles await the king's entrance; evidently Lear is still a figure of some awe. Only just. We catch him on tha cusp: a plansible example of the vigorous man of action falling to pieces at retirement. Finding his servant in tha stocks he rages pettishly, his voice shrill, breaking with outraged dignity in anticipation of senility; he rants, to the embarrassment of his adherents, and the famous description of George III's first puhlic slip into madness comes to mind: "those that loved him wept; those that did not love him laughed." Did Miss Berry work on *The Hollow Crown*?

Chris Dyer's set is backed by a catwalk, steps on either side, centred on a low platform that falls with a crash to provide the rocky unevenness of savage nature. The exterior of Mad Tom's hovel is that familiar architectural item of recent years, an edifice of cardboard boxes and hlankets. The interior switches to the open stage, for once just acceptable in this play of contrasting warm receptiveness and hitter exclusion. Costumes are all-purpose token medieval: hroad belts and tunics mix with trainers, tracksuits and open-necked shirts in a visual shorthand immediately identifiable for a potential young andience. The sword fight between Edgar and his bastard brother is smashing. And Gloucester's hlinding, despite a melodramatic momentary dimming of tha lights, shirks nothing, the resultant gore evincing the soggy, gleaming texture of summer pudding.

The total, then, is greater than the sum of the parts. As Lear, Richard Haddon Haines' precisely spoken performance makes the "thunder" we expect from every interpreter of the role (as with Othello) irrelevant.

Patrick Miller's Fool in white-faced clown makeup is a visually haunting figure who sometimes gahbles. The Edmund speaks his lines well enough but has scarcely any character; this villain is less than skin-deep. Acting honours go to James Purefoy's Edgar, unexaggerated in feigned madness, unpretentiously heroic, who could certainly take his performance to larger and more august stages. But the image that remains is that of an old man who was once a king, crowned with wild flowers, babbling to a blind servant somewhere in purgatory. No wonder the programme quotes Samnel Beckett.

Martin Hoyle

ARTS GUIDE

September 18-25

OPERA AND BALLET

London

Royal Opera, Covent Garden. The season opens with *Rigoletto*, in the underrated Nuria Espert production first shown last year. The cast includes Ingvar Wixell, Leontina Vaduva and Jerry Hadley, and the conductor is Sian Edwards.

English National Opera, Coliseum. The first new production of the ENO season is *A Masked Ball*, by the team (producer David Alden, designer David Fielding, conductor Mark Elder) responsible for the company's controversial *Simon Boccanegra*. Arthur Davies, Janice Cairns, Jonathan Summers and Linda Finnie take the leading roles. Further performances of the unevenly sung revivals which opened the season – *The Magic Flute*, conducted by Lothar Zagrosek, with Thomas Randle, Cathryn Pope, Alan Opie and John Connell; and *Katya Kabanova*, conducted by Albert Rosen, with Kathryn Harries, Pauline Tinsley, Edmund Barham, and Donald Adams.

Paris

New York City Ballet opens the 27th Paris International Dance Festival with a George Balanchine gala evening on Tuesday, continues with a Balanchine and Peter Martin evening on Wednesday and a Jerome Robbins evening on Thursday at the Théâtre des Champs Elysées (47208637). Carbonne 14 arrives with a dance-theatre production – The Dormitory – from Canada at the Théâtre de la Ville (48875442).

Vienna

Staatsoper. *Le Nozze di Figaro* is conducted by Ivan Fischer, and sung by Margaret Price, Thomas Hampson and Horst Nitsche *Rigoletto*, conducted by Leopold Hager, has a cast including Patrizia Pace, Waltraud Winsauer and Hans Christian. Mussorgsky's *Chowanschtschina* is conducted by Claudio Abbado and sung by Ludmila Schemtschuk, Heinz Zednik and Joanna Borowska.

Volksoper. The weeek's performances include *Die Zirkusprinzessin* by Kalman; *Die Fledermaus*, *Die Zauberflöte*, *Der Zigeunerbaron*, *Hoffmanns Erzählungen*, *Die lustige Witwe* and *Die Csardasfürstin*.

Brussels

Théâtre Royal de la Monnaie. The Monnaie Opera conducted by Sylvain Cambreling in Verdi's *Falstaff*. Jose Van Dam in the lead with Laurence Dale as Fenton, Ugo Benelli as Dr Cajas, Elzbieta Szmytka as Nannetta and Livia Dudai as Mrs Quickly. Staged by Ilvis Pasqual (Sun, Tues).

Berlin

Opera: The new season starts with Jean Pierre Ponnelle's *Fidelio* production with a cast led by Janis Martin (Leonore), Carol Malone (Marzelline), Spas Wenkoff (Florestan), Jan-Hendrik Rootering(Rocco) and Gerd Feldhoff (Pizarro), conducted by Horst Stein. Themagic flute has fine interpretations by Lucy Peacock, IsoldeSiebert/Elfie Hobarth, Keith Lewis, Barry McDaniel and Gudrun Sieber. *Aida* stars Julia Varady in the title role, Bruna Baglioni, Giorgio Lamberti, George Fortune and Julien Robbins. *Zar und Zimmermann* rounds off the week.

Hamburg

Der Troubadour is steered to triumph by Giorgio Zacanaro, Franco Bonisolli, Sharon Sweet, Nina Terentjewa outstanding in the leading roles. *Der Barbier von Sevilla*, sung in Italian, has wonderful Gilbert Deflo production.

Bonn

The new *Aida* production, by Jaques Karpo brings Rosalind Plowright, Livia Budai, Lando Bartolini together and is expertlyconducted by Bonn's music director Dennis Russell Davies.

Frankfurt

Britten's *Ein Sommernachtstraum* is respectable with singers Jochen Kowalski, Audray Michael, David Bennent, Vladimir deKanel. Gyoergyi Benza repeats her much praised performance as Mimi in *La Boehme*.

Cologne

The rarely played one act operas by Rossini *La Cambile di Matrimonio*/*Il Signor Bruschino*, feature David Kuebler,John del Carlo, Teresa Ringholz, Janice Hall and Alberto Rinaldi. Thesuccessful Harry Kupfer Jenufa production has a first-rate cast ledby Eva Tamassy, Leonie Rysanek-Gausmann, Linda Plech, GuenterNeumann, Alfed Kuhn and is conducted by cologne's new music director James Conlon. Also *Madame Butterfly*.

London Mozart Players

ALBERT HALL

Friday's Mozart concert was the last "serious" Prom, the night before the closing jamboree. Jane Glover and the London Mozart Players left us in no doubt about that, for they were sober and decorous to a fault. It was odd to read the programme-note claiming (with some hyperbole) that one "can almost smell the greasepaint" in the overture to *The Impresario* and then to hear them amble so neutrally through it. Nor, despite some thoughtful touches in the E-flat Symphony No. 39, did anything there fizz either: not even in the finale.

The huge Albert Hall probably swallowed up their nicer points; I often think that a smallish orchestra is more disadvantaged there than a chamber-size ensemble for which we *have* to prick up our ears. At any rate, it was the soloists – three of them – who rescued the evening from tameness.

Luigi De Filippi, the LMP leader, delivered the violin Rondo, K. 373, in appealing Italianate style; too rarely revived, this little movement deserves no less.

In the Clarinet Concerto, Richard Stoltzman again put his amazing variety of quasi-vocal subtleties and shadings at the service of the music. Two or three tremulous risks were a small price to pay for playing of such luminous conviction.

To the soprano Felicity Lott, in glorious voice, fell the motet "Exsultate, jubilate" and two other early arias. She lent nobility to "Lungi da te," from the 14-year-old composer's opera *Mitridate* and the better-known "Vol avete un cor fedele" positively bubbled with flirtatious charm. As for the grander "Exsultate," there was nothing one could do but succumb gratefully; the Lott poise was flawless, her phrasing artful and exquisite – and her timbre seems recently to have acquired an extra degree of warmth. She is in danger of becoming too good to be true.

David Murray

Photographs at the Royal Academy

The Art of Photography 1839-1989, which opens at the Royal Academy of Arts on September 22, will be the first time the Academy has exhibited photography as an art form.

It will run until December 23 with a total of 480 photographs.

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Taming Soviet nationalism

NATIONALIST seotimeot in tbe Soviet Union's 15 repnblics have reached the stage where the future contains only one choice. Either a constitutional settlement can be agreed which can hroadly satisfy the demands for autonomy of the majority of the active citizens of tbese republics and whicb will allow for the continuation of a (decentralised) Soviet Union: or no such compromise is available, the nationalist movements will continue their evident radicalisation and a decision has to be made between disintegration or tanks, with the smart money oo tanks.

Over this summer, the tenor of comment in both the Soviet Union and the West has beeo that the first course is much less likely than the second. We should recognise that it would be terrible if it *were* so. The West should hope devoutly that Mikhail Gorbachev can avoid the chaotic disintegration of his empire, and should – insofar as it can – belp him to do so.

The reasoo for this support is obvious enough. From the Baltics to Baku, awaksned nationalisms demand freedoms which cannot be granted without explosions. In part this is because, especially in the Caucasus, the freedom of one nation or ethnic group can reasonably be forecast to be the suppression of another. It is also because the Soviet Communist Party, dominated by Russians, has not achieved a consensus that post-imperial days are here, and would certainly oust any leader who ceded complete independence to any part of the whole. If the other main locus of Mr Gorbachev's woes – the economy – is best treated by a sbarp shock, the nationalities question is not. This tiger has to be skinned claw by claw.

Of course, what can be comfortably asserted in the West would be harder to say on the streets of Vilnius, as Lithuanians catch up on just how brutal Soviet history has been to them, and how completely it had smothered their own; or in Tbilisi, where, last April, 20 Georgian nationalists, mostly women, were slaughtered by Soviet special troops. These considerations, aggravated by shortages of food, drink and tobacco, will mean that tomorrow's sessioo of the Caotral Committee of the Communist Party of the Soviet Union, called to discuss the national question, will be as important as any in Mr Gorbachev's four and a half year rule, perhaps as any in its existence.

He may pull it off again. The indications last week from a meeting between Mr Gorbachev and the Baltic leaders were that the latter went back saying that the General Secretary was prepared to come a long way towards the demands of the nationalist movements which have pushed the repnblican communist parties as far as proposing that they should seek independence from the national Communist Party umbrella.

Back in Moscow, the official media was putting a harder gloss on the talks, emphasising that Mr Gorbachev had called the leaders to heel. Saying different things to different people can work as a strategy – but it usually has a fairly tight time limit.

The key recognition for the Central Committee, difficult for it to accept, is that it constitutes a large part of the problem. As the total intransigence of many of the nationalist demands shows, there has never been developed a practice of compromise and of normal politics between the various competing nationalist groups: instead, the party in Moscow has decreed solutions, enforcing them first through terror then through patronage, thus freezing problems rather than tackling them.

It is that practice which must now be nourished: which means that it is critically important for the Soviet Union, eastern Europe and beyond them the world, that the Central Committee tomorrow agree a loose enough formula to satisfy the long suppressed needs for greater autonomy – and yet does not light a fuse under the Kremlin walls in doing so. It must give the politicians and the new political forces in the republics something to do – with the explicit understanding that it may not be what Moscow necessarily wants them to do. It must tolerate diversity and heresy: or the wonderful opening in the world, which owes much to Mr Gorbachev, will narrow or even close, and we will all lose.

Rethinking the Channel link

IT LOOKS increasingly likely that private sector consortia will not agree to finance the proposed high speed rail link between London and the Channel tunnel. The estimated cost of the link has escalated from £1.2bn to £3.5bn. If the soaring cost of the Channel tunnel itself is any guide, the final cost could be higher still. The arithmetic suggests that the level of fares needed to guarantee an attractive commercial return on the project would be prohibitive. So should Mr Cecil Parkinson, the UK Transport Secretary, concede defeat and announce that the link is to be postponed?

This is what the Government's own logic dictates. The 1987 Channel Tunnel Act specifically rnles out grants for the "provision, improvement or development of international railway services." Cancellation or postponement would also correspond neatly with the new transport philosophy espoused by Mr Paul Channon, Mr Parkinson's predecessor. Mr Channon, with the Cabinet's backing, argued in essence that projects should go ahead only if those standing to beoefit in the short term – travellers and property developers – were willing to pay. The impasse over whether to extend the Jubilee Underground line to London's Docklands is a direct consequence of the Government's attempt to implement this policy.

Competitiveness

But does this approach to transport infrastructure make sense? Those who believe it does must logically condemn the policies taken for granted throughout the rest of the EC and in nations as diverse as Switzerland and Japan. In these countries, a swift and efficieot transport system is regarded as a necessity rather than a luxury. It is seen as directly contributing to the overall competitiveness and profitability of industry as well as enhancing the general quality of life. The fact that private sector capital cannot easily be mobilised for projects with large external benefits and distant pay-offs is not taken to demonstrate their worthlessness but rather to signal the need for public sector involvement. Hence the lack of controversy over who should pay for the TGV Nord, the high speed railway which will link Calais with Paris and Brussels.

Subsidies for railways on the Continent may sometimes have been excessive, leading to overmannings and other inefficiencies. It is also true that direct competition between railways and air transport has been suppressed. If civil aviation were less cartelised, the high-speed rail links springing up in anticipation of the single European market would look a less economic proposition.

Inefficiency

But this is not an argument for the UK pursuing policies entirely contrary to those of its European partners. There is no danger of excessive rail subsidies in the UK. The issue is whether a creaking and inefficient network will be modernised sufficiently to enable industry to benefit from the planned integration of the market. In judging the case for investment, policy-makers should bear in mind that most British companies will be situated far from the economic heart of the single market, which will lie in and around West Germany. To prosper they may need hetter-than-average transport links.

Yet present policy says that the high speed link between London and the Channel tunnel should be built only if it is attractive to private consortia seeking a real return of some 15 per cent. This is almost twice as high as the 8 per cent real return demanded by the Treasury on normal British Rail investment. The Treasury figure is arguably too demanding; it has helped justify a progressive deterioration in public sector transport during the 1980s and is a legacy from the days when the policy priority was to reduce Government borrowing. The commercial return demanded is inappropriate for an infrastructure project which will be benefiting the community a century hence.

Some form of public subsidy for the Channel link is therefore essential, although it will have to be disguised in view of the Government's earlier commitments. It should be coupled with an explicit recognition that responsibility for projects which benefit the nation as a whole cannot always be delegated to private entrepreneurs.

Charles Leadbeater reports on how far recent pay settlements reflect productivity gains

The price and pace of change

Pay negotiators are about to enter what could be the most important six months in British pay bargaining since the recession of the early 1980s. A third of all settlements are due to be renegotiated between November and April, amid signs that trade unions are pressing for pay rises that in many cases will be close to 10 per cent.

Managers will be hoping that the slowing of the economy will start to put a brake on these demands. Signs that pay pressure may be lessening are appearing in sectors such as furniture, which have been among the first to be hit by lower retail spending. Figures compiled by Income Data Services, the pay research company, show the annual increase in average earnings in the furniture industry has fallen from 21 per cent last December to 5.6 per cent this May.

None the less, in sectors less immediately affected by retail spending those planning for negotiations this autumn must have viewed the summer's events with mounting alarm.

In the wake of a string of 8.8 per cent deals for public sector workers, and settlements of 9 per cent or more at British Telecom, Imperial Chemical Industries, the police and the electricity industry, it seems likely that 9 per cent will become the unions' target rate. Manual workers at companies like Ford will be aiming for at least 10 per cent.

But employers are unlikely simply to let this pay pressure eat into their profit margins. The question facing them is whether they can squeeze more productivity growth out of their workers and machines to offset the rise in pay settlements, keep a lid on unit wage costs and prevent higher pay fuelling higher inflation.

The extent of the productivity improvement of the 1980s is disputed. Estimates for productivity growth in manufacturing between 1980 and 1988 include the Treasury's figure of 5.25 per cent and the National Institute for Economic and Social Research's figure of 3.64 per cent. Whatever the exact figure, that is undoubtedly higher than the 1970s, when it was running at between 0.88 per cent and 1.5 per cent a year.

Britain's performance stands in marked contrast to most of its big competitors, where productivity growth has fallen compared with the 1970s. But service sector productivity has risen more slowly, holding back productivity growth in the economy as a whole, which the Treasury puts at 2.5 per cent in the 1980s, up from 1.25 per cent in the 1970s.

Despite this, the rate of increase in unit wage costs has risen steadily, to about 7.5 per cent in the year to May. In private services, where output growth has weakened but employment and earnings have continued to rise, the increase was about 8.5 per cent. So it is arguable that even the productivity turnaround of the 1980s has not been enough. Many companies have still not closed the unit cost gap with their foreign competitors.

The question now is whether this year's "summer of discontent" and the accompanying surge in pay pressure mark an end to the productivity gains of the 1980s. It may be that – with a tightening labour market and a deteriorating economic climate – the balance of power in collective bargaining has shifted back towards the unions. The rise in productivity growth earlier in the decade was partly fuelled by the widespread manufacturing redundancies of the early 1980s and tougher trade union legislation. Their effects may be wearing off, leading to a period of slower productivity growth.

Several factors will be working in companies' favour:

● At many companies, a genuine momentum for change built up in the mid-1980s, which is unlikely to abate. This is particularly noticeahle at companies snch as Ford and Vauxhall, the motor manufacturers. According to car industry union officials, Vauxhall's last two-year agreement, which is about to expire, was designed to enable continual changes in working practices, to encourage increasing worker versatility and flexibility. The company has told unions it wants to continue in this direction with more team working.

Ford has yet to obtain all the productivity gains implicit in its last two-year deal. The company plans to make further progress in introducing team working and in streamlining its supervisory workforce. The Ford manual workers unions' recent proposals to reform the company's pay structure acknowledged there will be continual changes to working practices.

At ICI, which has already settled at 9.6 per cent, managers believe the deal has to be viewed in a wider context. An occasional high settlement has to be set against moderate settlements in the previous few years. This year's deal will help the company pursue its wide-ranging plans for changed working practices which should bring benefits well into the 1990s.

● New technology can also build up a momentum for higher productivity, as companies discover avenues for labour saving they had not initially thought possible. Some national newspaper publishers, having bedded in new production technology, are exploring a second round of redundancies and changes to working practices.

● Abrupt changes in the commercial snvironment can also bring abont changes. With tha break-up of national bargaining in the independent television industry and the looming auctions for television franchises, companies such as Yorkshire TV and Independent Television News have bought out expensive overtime systems and introduced widespread worker flexibility. The transformation of working conditions in the television industry this summer suggests that companies will still be able to win changes when they are faced with sharper competition.

Those are the factors that work in favour of continued prodnctivity gains. Against them, however, must be set a countervailing set of pressures.

First, higher inflation creates simpler bargaining. As an official of the Union of Communication Workers, the main union at the Post Office, says of forthcoming wage talks: "With inflation uncertain we will not want a complex deal involving working practices. Ws want to concentrate on getting the pay right." Similarly, workers at Vauxhall are pushing for a one-year agreement, breaking the cycle of two-year deals. The growth of two-year agreements has been vital in allowing companies the time to introdnce complex changes; that may now be set back.

Second, many companies have become locked into a wage-productivity spiral. Higher prodnctivity has followed higher wage settlements, paid to gain co-operation, loyalty and effort. Higher wage demands then follow the productivity gains. If companies attempt to break that spiral hy holding out for lower wage rises they may also get lower productivity growth. For some the only option will be to stick with the going rate of pay, to get the going rate of prodnctivity.

Third, negotiations in manufacturing will be clouded by the emerging dispute over shorter working hours in the engineering industry. Few leading companies will want their annual pay bargains to become conflicts for fear that this might feed the wider dispute over the unions' claim for a 35-hour week. This calculation may have played a role in a recent 8.9 per cent deal at Rolls-Royce, Bristol and a 9.2 per cent deal at Dowty. Both groups are on the list of those targeted for industrial action in the hours campaign.

Fourth, though service sector employers are taking a much keener interest in productivity than before – for example, through the introduction of laser scanning tills in supermarkets, which allow a much closer check to be kept on throughput – recruitment pressures limit their scope for gains. Such presures, which produced 9 per cent deals in the last few months at Provincial Insurance and the Alliance and Leicester building society, will not weaken. Professor David Metcalf of the London School of Economics says: "It will be much more difficult for private and public sector service employers to find compensating productivity gains."

Finally, part of the productivity surge was due to the rise in output after the recession, which has allowed companies to work closer to capacity. The widely forecast decline in output next year is likely to slow productivity growth and raise unit costs. Lower investment will also be a restraint, as changes in working practices have been led hy investments at greenfield production sites or the installation of new technology on the shopfloor.

Faced with this less favourable outlook for productivity growth, employers may find that traditional remedies will no longer work. Although the last few months have seen a stream of redundancies in textiles and footwear, many companies will not be able shed labour to bring their total labour costs under control as they did in the recession of 1979-81.

Mr Alastair Hatchett of Incomes Data Services says: "Much of the productivity surge of the early 1980s was due to structural changes in tha economy in manufacturing, steel, shipbuilding and coal. The scope for that sort of change has gone. Companies facing a tighter labour market in the 1990s will not want to risk losing skilled workers. Large-scale redundancies will not be an option."

The external environment spurred higher productivity in the early 1980s. In the early 1990s, more will depend on the quality of management: motivating workers, raising skills and making better use of the flexihility which has become available.

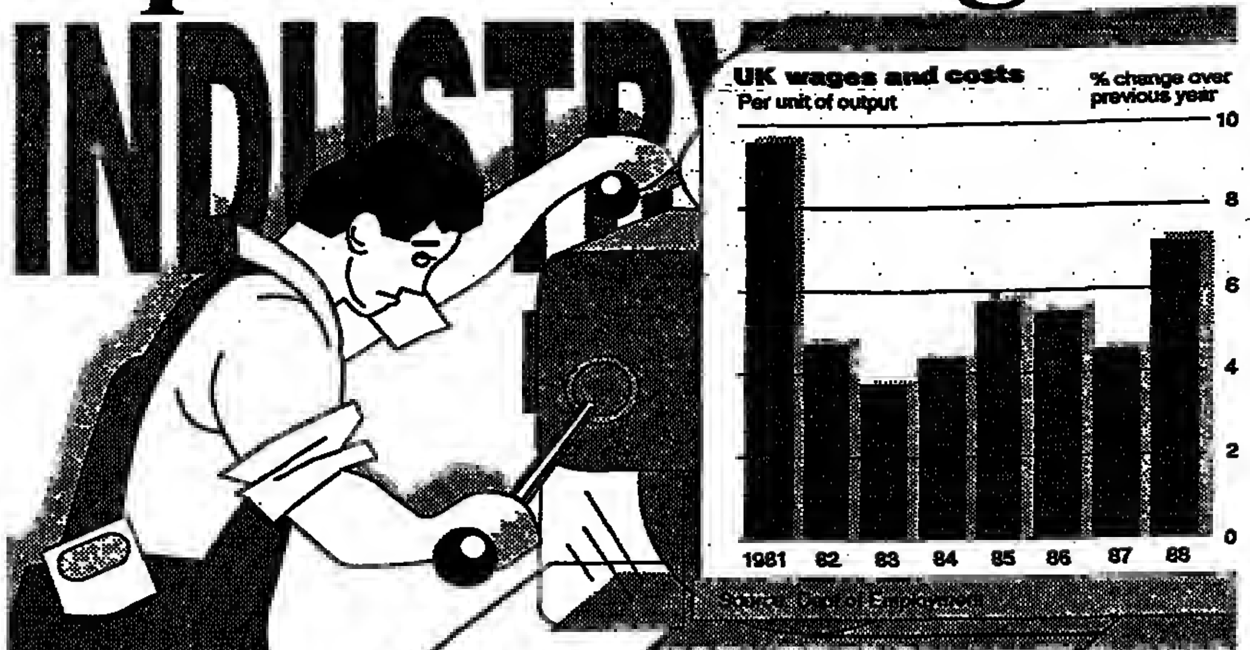
Greater worker flexibility has often meant production workers simply working harder to cope with a wider range of tasks like cleaning, minor maintenance and quality control. Ford's British plants now have working practices and technology quite like their continental European counterparts.

Yet there is still a significant productivity gap, partly because at West German plants it takes very little time to repair machinery which has broken down. Ford managers attribute this to a more professional approach among West German car workers, bred hy better training and shop floor supervision. Better trained supervisors will have a central role in ensuring that worker flexibility, just-in-time production systems and more sophisticated machinery are co-ordinated and exploited to the full.

But turning supervisors into more effective managers and improving the technical skills of shop floor workers will take several years. A string of companies are pursuing skills-based pay deals or payment systems. Ford is likely to move in this direction in this year's talks. Rowntree Mackintosh, the confectionery manufacturer, has already done so, as has Albright and Wilson, tha chemical company.

The price of introducing those sorts of sweeping changes in training programme and working practices appears to have increased. It ranges from 12 per cent at Otis Elevator for a training-related flexibility deal to more than 30 per cent over two years at Coca-Cola Schweppes. There the basic pay increase will be 18.5 per cent, with 13 per cent for the completion of training. At GKN's Hadley Castle plant, skilled workers are being offered a 20 per cent rise over the next 18 months, on top of basic pay awards.

Despite the rising cost of change most companies seem genuinely confident of winning offsetting productivity gains, for the underlying forces behind higher productivity growth – smaller workforces, new technology, new working practices – will not disappear. But in future more emphasis will have to be put on the quality of labour and management, its training and skills, rather than crude numbers and increased effort.



Manufacturing output per hour
Annual average % changes

	1976-79	1979-86
US	2.1	3.8
Canada	3.2	2.9
Japan	6.6	2.6
France	5.2	3.1
W.Germany	3.2	2.5
Italy	3.7	2.7
UK	1.0	3.7

Source: NIESR 1987

> The question is whether employers can squeeze enough productivity out of workers to offset pay rises

CORRECTION: The table on this page on Friday overstated the increase in Dutch investment in the US in 1987. The correct figure was $391m.

OBSERVER

Chemists at the top

■ Should a chemicals company be run by a chemist? The question is being much discussed at BASF, one of West Germany's top three and, in fact, the biggest cbemical company in the world. What happens at its headquarters in Lndwigshafen will be closely noticed alsewhere.

Hans Albers has been chairman since 1983 and is due to retire next June at the age of 65. The adjectives that come to mind about him are "taciturn" and "crusty". An announcement about the succession should be made in the next month or so, but it is far from clear who will get it.

There is talk of breaking with tradition and appointing a non-technocrat: someone versed in public relations who could help the company to present itself better both to the financial community and to the Greens and their sympathisers.

This school of thought points to the appointment five years ago of Hermann Strenger as the chairman of Bayer. Strenger is a marketing man who likes talking to the press. Moreover, he is the first non-chemist to have headed any of the West German big three: BASF, Bayer and Hoechst.

Riding the tide of this sentiment is Ronaldo Schmitz, BASF's finance director, who has emerged as a front runner for the succession. Schmitz is 51, extremely forthright, very mucb an intellectual, well-travelled and an Anglophile: be admires Mrs Thatcher and thinks that governments should pay more attention to the social consequences of scientific breakthroughs.

The trouble is his background, which is in finance and management rather than chemistry. BASF is a conservative company and many there do not want a non-scientist in charge of technology. "Schmitz is a brilliant fellow," says one insider. "It's a pity he's an economist." Schmitz has not always seen eye-to-to eye with Albers, which may elbow him out for good.

Among tha other candidates on BASF's board are Friedrich Strube, who, at 50, has excelled during his 20-year career at the company. But he is a lawyer.

That puts the smart money on another board member, Dietmar Werner, a 55-year-old who is at least a chemist. Werner has made a success of turning round BASF's oil and gas subsidiary and is capable of talking freely, without too much chemicals jargon. He is "quite a comet," says someone close to the discussions. An outsider is Dieter Stein, another chemist on the board who is said to have a good grasp of detail and is the same age as Werner.

The casting vote in the discussions will probably go to Matthias Seefelder, the venerable professor who heads BASF's supervisory board and was the executive chairman before Albers. He could choose someone from outside the board altogether.

Music at home

■ Mixed thoughts on the last night of the Proms, as usual. There seemed to be more flags than ever; it was also broadcast worldwide. Yet the camera work in televised music is now superb. Concerts on television have become one of the great pleasures.

Green man

■ Nearly 30 years ago, John Delafons wrote a book with the uninspiring title: Land-Use Control in the US. The book stayed in print for 20 years. It is still used in planning schools in the US. The royalty cheques only dried up three to four years ago. The publishers suggested a re-print.

Instead, in the twilight of his Whitehall career, Delafons will shortly be off to the US again, this time on a Leverhulme fellowship (the first study was facilitated by Harkness).

From his base at the department of regional and urban planning in the University of North Carolina, he wants to catch up with recent developments in planning, and the different approaches between states.

Delafons has headed the planning and inner cities unit in the Environment Department since 1982. The subject that he will most regret leaving is London Docklands, which he says is "at a rather critical juncture". It is close to what he will be studying in the US: how far developments and governments should share tha environmental costs.

He has served six Secretaries of State for the Environment in seven years. Chris Patten, the latest, will not have the pleasure. But Patten will get a report next summer on the US expedition. Delafons will then be nearly 60 and due to retire from Whitehall. And Patten might even have a best-seller on his hands.

Power names

■ A burst of activity at Companies House: the 12 area electricity boards of England and Wales are registering names galore to protect their territorial and corporate identities against emerging competitors in the age of privatisation.

For the nominal £100 the North Eastern Electricity Board last week renamed itself Northern Electric, matching the Southern Electricity Board's reincarnation as Southern Electric. Jack Harmsworth, Northern's deputy chairman, says that his future plc has also protectively bought the rights to a handful of other names, including Electricity North East and Northern Electricity Supply Company.

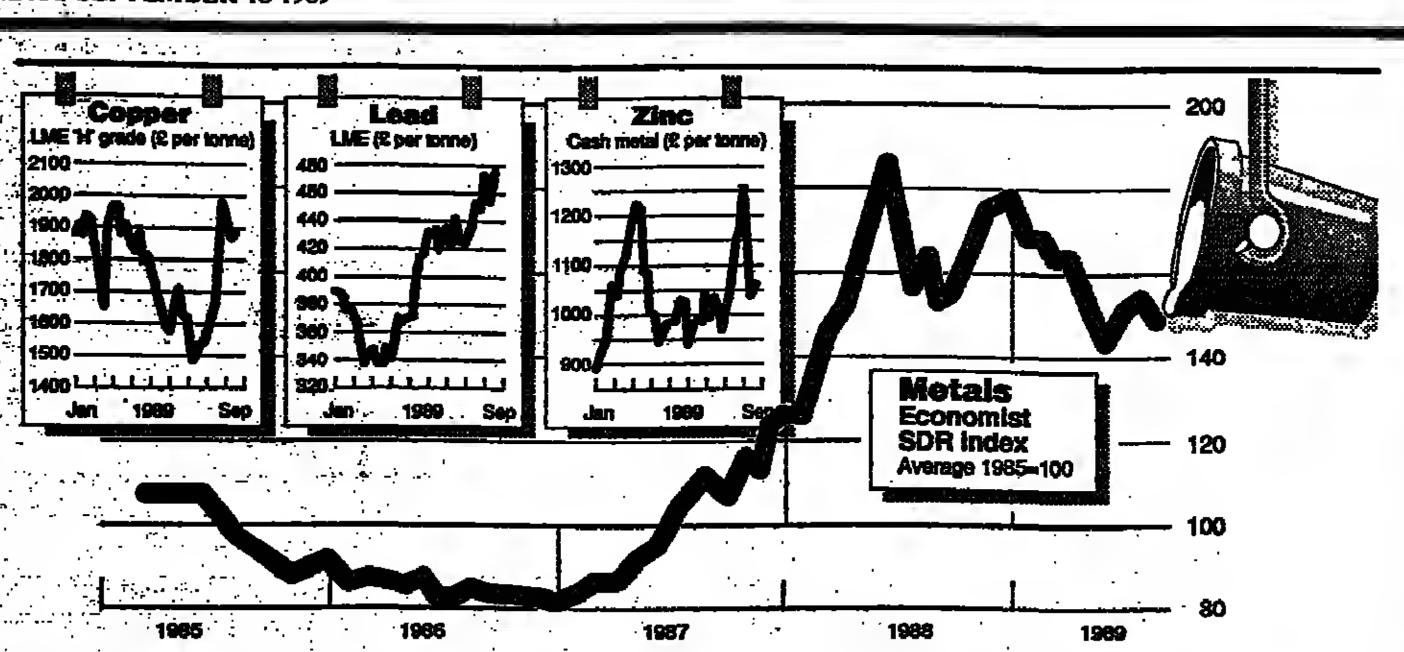
South Western Electricity, besides registering five subsidiaries prefixed by its present initials SWEB, has taken similar steps to prevent "South West Power" from falling into unwelcome hands.

South Wales Electricity and Manweb, which operates in North Wales, have jointly registered (in English and Welsh) a shadow company called Wales Electricity.

Other boards plan little or no change in their titles. Norweb, whose North West area stretches from Buxton to Carlisle, is happy with its name, even though the last letter will be redundant when it ceases to be a board.

Good Texan

■ The Soviet news agency, Tass, has appointed a lady from Texas, Irene Stevenson, to polish the style of its English news service. "It's not that it's unintelligible," she says. "It's not, it's really very thoughtful. But it does not read with the authority, language-wise, that Americans or the British expect."



Kenneth Gooding reports on the activity in the base metals markets

The coming scramble to buy up mines

The metals markets are in a state of high excitement. After defying gravity throughout the summer, prices for many metals dropped sharply earlier this month, then recovered much of the loss. Market swings are only part of the excitement, however. Some analysts are predicting that there will be a flurry of activity as base metals mining companies attempt to buy each other. This might be good for share prices but the reasons for this expected scramble have serious implications.

The base metals producers are now attempting to make up for many years of under-investment in exploration and development of new resources by preying on their rivals.

Most of the base metal mining groups are flush with cash after 18 months of high prices for their products. This makes them attractive takeover targets unless they strike first.

"Mining companies are now appreciating that it is cheaper to buy each other than to establish a new mine. And they are learning even faster that if they do not eat each other, then somebody else will eat them," suggests Julian Baring, manager of James Capel's Gold and General Fund.

The acquisition in June of British Petroleum's mining and minerals assets by the RTZ Corporation for £4.3bn first drew attention to the potential for realignments in the base metals mining industry. The current excitement was started by the battle for control of Falconbridge, the world's second-largest nickel producer.

Noranda, Canada's biggest natural resources group, and its partner Trelleborg, a diversified Swedish company, have edged out Amax, the US mining group, and are likely to take over Falconbridge for $1.6bn. Noranda has made it clear that its main interest lies in getting its hands on Falconbridge's Kid Creek mine in order to provide a secure supply of raw material to Noranda's Horne smelter in Quebec, which is running out of feedstock.

Philip Crowson, senior economic adviser at RTZ, now the world's biggest mining group, suggests that base metal concentrates (material containing between 20 and 40 per cent metal) are potentially in short supply. This would particularly hurt those companies, like Noranda, which have a large metals smelting capacity but not enough mine output to match.

Mr Crowson believes that the problems stem from the long recession of 1980-87 when metals prices were at rock-bottom and the industry cut back its activities severely. "Much of the decline in real costs at that time was bought at the expense of the future, and the future is now paying the price," he says.

The list of short-cuts taken in those desperate days is long. Repairs and maintenance were postponed indefinitely. Advanced development underground or stripping in open pits were neglected in order to reduce the amount of spoil shifted. Some mines "high-graded" or concentrated on digging out richer ore and ore easier to recover. This inevitably raises future mining costs and shortens the economic life of a mine. Wage costs dropped "at the expense of future labour relations," according to Mr Crowson. Exploration spending was heavily concentrated on high-priced gold in the early 1980s.

Before he retired as as president of the Teck Corporation, the Vancouver-based natural resources group, Mr Norman Keevil pointed out that since 1981 Canada's gold reserves had jumped by 94 per cent. In the same period reserves of nickel had fallen by nearly 20 per cent, those of copper by more than 21 per cent and those of zinc by 24 per cent.

The collapse in the gold price in the past year from over $400 to about $360 an ounce and the high price of base metals seem to be reversing this trend in exploration. Yet there is an average 10-year lag between finding a metals deposit and bringing a mine into production.

The exploitation of many base metal reserves – shelved during the recession – could at first sight be taken up again. Many of them were, however, discovered years ago when different cost structures and different economic conditions prevailed. Few can be treated as genuinely accessible reserves. Moreover, many of them are in countries where political and economic risks are high.

"Who, for example, would put money into Peru or Zaire?" asks Mr Crowson. Some analysts suggest there might be long-term structural weaknesses in Peru, which supplies about 11.5 per cent of the non-communist world's zinc, 6 per cent of the lead and at least 5 per cent of the copper. Similar structural weaknesses may also afflict Zambia, which in the past has contributed 6 per cent of the copper.

The analysts also say any increasing tensions in southern Africa would have an adverse effect on supplies of a wide range of metals.

The base metal projects which are just coming to fruition were begun at the end of the 1970s. They include the huge Olympic Dam copper-gold-uranium mine in Australia; Red Dog in Alaska, the world's biggest lead-zinc mine; and Escondida, a massive copper project in Chile.

Mr Crowson suggests there will now be something of a hiatus. "These projects are not enough. They, and more, are needed not just to meet prospective demand, but also to compensate for the likely closures of the next few years. In many instances, mines were kept in profitable production during the lean years solely by altering mine plans and shortening their prospective lives. Many of the new projects, in the US copper industry for example, will also be short-lived."

All this helps to explain why base metals prices have defied gravity for much of this year. Even tin and lead, which failed to rise in step with copper, nickel, zinc and aluminium in attaining record prices, have benefited. The tin price, which had been suffering from the threat posed by huge world stocks following the collapse of the International Tin Council's price support scheme in 1985, has recovered strongly this year – though it lost some ground last week. Despite the bumpy trading of the last few weeks, lead is still within a whisker of its eight-year high. Analysts conclude that average base metal prices will be higher than predicted at the beginning of 1989.

For much of the year, the prices of other base metals were behaving much as analysts had predicted. World economic growth was slowing, metal prices were easing and increases in metals supplies were going to be more than adequate to meet likely consumption needs for the next few years. In the late summer, better prospects for a soft landing of the industrialised world's economy and a number of supply disruptions caused metal prices to rebound.

Copper, the world's most heavily-traded metal, has been hit by strikes in Peru, Chile and Canada. Another big mine at Bougainville in Papua New Guinea has been closed because of violent attacks by local land owners in revolt. As a result, though non-communist world copper stocks have now started to rise again, they are still at very low levels. The price on the London Metal Exchange, often the market of last resort for buyers, rose sharply in late summer. When base metals prices came under pressure 10 days ago, the LME cash copper price suffered too, dropping £50 a tonne in a single day a week ago. But it recovered a good part of its losses in the days that followed closing the week up £16 a tonne at £1,885 a tonne.

The low levels of stocks are bound to affect the new contract prices established in the so-called "mating season", which begins in September as the major producers and consumers negotiate their annual contracts. Mr Crowson at RTZ says: "In mining you get many good years and a few years of bonanza profits. You get one or two years when there are losses." He suggests the industry will earn good profits for some years ahead "because of its inability and unwillingness to invest sufficiently to keep pace with demand." He hastens to add that RTZ did not buy the BP assets because it assumed high metals prices would last forever. In the long run, prices will move into line with the industry's marginal costs, he says.

Jan Slechte, president of Billiton, the Royal Dutch/Shell metals division, goes further. He says: "Our basic assumption is that metals prices will continue to fall in real terms – the trend is quite clearly down." He insists that the metals industry will not gain the full benefits of future world economic growth because it is not doing enough to improve its product and process development while at the same time there will be less intensive use of metals in new products and further substitution for metals by other raw materials. "So it would be asking a great deal for metals demand to grow in line with the world economy."

Such caution is widespread in the industry and it partly explains why some companies would prefer to buy existing low-cost mines rather than search for and develop new ones. By buying existing assets they do not face the costs and possible delays involved in building mills, smelters and refineries, in obtaining permits, passing muster by environmentalists and paying rapidly-increasing equipment and labour costs.

Analysts are now busy trying to spot the next base metals bid target to follow Falconbridge. Ronald Shorr, an analyst with Stearns and Co, says: "Mining companies have lots of cash, have their strongest balance sheets for years and the pressure for them to do something is building up."

LOMBARD

ABC of choice in currency

By Samuel Brittan

ONE VERY senior British official first heard of Mrs Thatcher's promise after the Madrid Summit to table alternative ways of achieving monetary union to that of the Delors Committee, on his car radio. He was so astonished that he nearly drove his car into a tree. Thus the proposal for competing currencies arose from domestic political exigencies, which did not help to get it off to a good start at the Antibes meeting of Community finance ministers.

Although it is not a way of achieving monetary union, the concept of choice in currency is a valid one nevertheless. Indeed I wrote about it in the 1970s (The Economic Consequences of Democracy, republished by Gower House in 1987). My main conclusion then related to the communication barriers separating such ideas from the world of Treasury and Bank of England economics. The poor fist that was made of explaining the idea to mockers showed that the barriers have not yet come down completely.

To start with, the idea is a permissive, not a compulsory one. The answer to whether an Aberdeen grocer would have to accept payment for peanuts in Greek drachmas, is definitely not the off-putting one that currency competition will just affect large corporations and wholesale bank deposits.

The correct answer is that the Aberdeen grocer will not be compelled to take drachmas, but that he could if wanted to. And many traders are often willing to take currencies of countries other than their own. The know-nothing brigade seems never to have visited border areas such as Geneva or Salzburg, where payments can be made in French or Swiss francs, or Marks or Austrian Schillings. Nor can they recall the long period when the dollar was almost universally acceptable. (This came to an end when President Nixon severed the gold-dollar link in August 1971.)

Nevertheless some of the writing about currency competition has been based on misconceptions. For instance, the periods of competition between note-issuing banks sometimes cited (in the early 19th century) were between bits of paper ultimately convertible into gold. There is no comparability with today's paper money.

The present phase of interest in currency choice began with the pioneering work of the Nobel Prize winner Friedrich Hayek (the second edition of which was entitled Denationalisation of Money, Institute of Economic Affairs, 1978). The main obstacle he located was exchange control, which disappeared in the UK 10 years ago, and which Community countries are pledged to abolish by July 1990.

Whenever I have asked any free-currency writers what are the remaining legal obstacles to their proposals I have been met with a resounding silence. The British legal tender laws merely require the acceptance of sterling where nothing to the contrary has been stipulated. There is nothing to prevent contracts being made in D-Marks, dollars, Ecus, gold, platinum, indexed sterling or in any other way that is clearly defined. Some tidying-up adjustments may be required, for instance in the British Truck Acts and in German laws stipulating contracts in D-Marks. But competitive currencies are already inherent in the unanimously accepted stage one of Delors.

The Institute of Economic Affairs and other post-Hayek writers have assumed that currencies would compete at floating exchange rates. Whatever the merits of such ideas, they are not compatible with the EMS, which Mrs Thatcher is pledged to join, however reluctantly, under stage one, let alone the projected EMU.

The British Treasury claims as a novelty for its proposals that the competition would be between currencies linked at semi-fixed exchange rates through the EMS; and it argues that they would add to the counter-inflationary properties of the system. Maybe. But it is sad that the supposed need to save the Prime Minister's face prevented the British Government from presenting a real alternative to Delors based on the more evolutionary approach of the Bundesbank and some other Community members.

LETTERS

Arms race in reverse

From Mr P.S. Wardham Daw.

Sir, In his analysis of Russian realities, Mr John Gray questions the availability for Russia of western credits and investment ("Soviet Perestroika: the risks of collapse into chaos," September 13).

He sees the federal deficit preventing the US from helping, and even if capital were available from Germany and Japan it "would vanish into the abyss of chaotic planning institutions." Mr Gray does not believe that private capital can be expected to substitute for western credits because of the risks of instability and collapse.

American spending on defence may leave little over for financing perestroika. But it should be possible to propose that every billion dollars by which Nato countries are able to reduce military expenditure, as a result of arms cuts agreed with Moscow, be re-directed into economic assistance to augment the savings in defence expenditure achieved by the Russians. Japan would be invited to contribute – and therehy make up for the defence expenditure American protection has spared her.

Part of every billion dollars so liberated would go into credits to enable consumer concessions, such as those offered to the Siberian miners, to be extended to other areas of deprivation.

Part would increase ths political risk insurance capacity available to the Multilateral Investment Guarantee Agency of the World Bank for the encouragement of private investment in Russia.

Part would be earmarked for converting rouble profits earned by investors into foreign exchange.

Part would go to a fund from which to pay for remedies awarded to investors under international arbitration.

As the investment climate in Russia improves, and confidence in its commercial legal processes reduces recourse to arbitration abroad for settling contractual disputes, more of the money freed from spending on the arms race could go into economic assistance.

Lest, as a consequence, Russia's already high debt service ratio exceed Latin American levels, Soviet sovereign debt could be recycled to fund inward investment in perestroikan privatisation.

The fall-out from the economic and political "meltdown" of the Soviet Union will be less dangerous if there is also a mutual military meltdown. The consequent re-direction, in Russia's favour, of spending no longer required for military purposes by either side will in turn give reform in Poland and Hungary a better chance.

As the occupied countries of eastern Europe come into their own, and their sovereign debt is also converted into investment, not only will they no longer need the Soviet subsidy to which Mr Gray refers, but they could also become the kind of technical and financial service area for Russia which the Chinese leaders, in their less ideological moments, still hope Hong Kong can be for China.

P.S. Wardham Daw,
Sovereign Debt Office,
10 Upper Grosvenor Street, W1

Advice freely traded

From Mr Edmund Dell.

Sir, Martin Wolf fails to bring out the full humour of the present trade discussions between Japan and the US ("US problems with Japanese success," September 11).

Both governments profess free trade principles. Neither believes in them. Both are confident that Japan gains advantage from its protectionist policies, whereas free trade principles would dictate that they are a cost.

The US has decided that free trade is ouly an acceptable basis for trade relations with Japan if there is a reasonable bilateral balance. If there is not, they will see what they can achieve with crowbars.

The Japanese cannot accept that they should buy things they do not want, purely to help the bilateral balance, and can find nothing in free trade theory – and not much in the present power relationship – that requires them to do so. After all, the US has allowed itself to become dependent on Japan for much advanced technological equipment, not to mention funding for its twin deficits.

Because both governments believe that it is not respectable to use the mercantilist language in which, in reality, they think, they exchange advice on how to run each other's economies. Jndging from economic performance since the Second World War, it is quite obvious whose advice any impartial observer would be inclined to take, the Japanese, the American (or Martin Wolf's).

Martin Wolf writes that protectionism is not the cause of Japan's sncess. His "evidence" is that if it were, Brazil, Argentina and India would now he the world's richest countries. Of course it is not *the* cause. That does not mean that it has not been an important element in Japan's success.

If confirmation were needed of the important place of protectionism in Japan's success, it would be provided by their reluctance to relinquish it. The Japanese are hardly to blame for the world's readiness – advised by its Martin Wolfs – to allow them to act as a free rider on the international trading system.

Nor, I imagine, are they now much worried about anything that the world or the US can do about it, in the short term.

Edmund Dell,
4 Reynolds Close, NW11

Strictly the old ackamarackus

From Mr Martin Cannon.

Sir, Observer informs us that onions are good for the heart, and "sensitivs" Nsw York hosts are not serving alcohol to their guests out of concern for their health (September 15).

Perhaps they should consider the words of Benjamin Franklin: "Wine makes daily living easier, less hurried, with fewer tensions and more tolerance." I suggest that they try to achieve that with an onion and see what it does to their sensitivities.

Martin Cannon,
Melville House,
Chalfont St Peter,
Buckinghamshire

Key to the kingdom

From Mr John Pringle.

Sir, It is hardly surprising that visitors from overseas have difficulty in grasping the distinctions between the terms United Kingdom, Great Britain and England, when newspapers of record fail to use those terms correctly.

According to the table at the head of the Technology section of the Financial Times on September 12, the population of England is 56.0m. Either there has been a startling increase in England's population since the last census, or whoever was responsible for preparing the table has fallen into the old trap of equating England and its interests with the United Kingdom. No doubt your contributor is aware that the population of England and Wales is in the region of 49.2m, and that of the United Kingdom as a whole is 56.0m.

This kind of unthinking refusal to recognise Northern Ireland, Scotland and Wales as components of ths United Kingdom, having status equal to that of England, is intensely irritating to almost 20 per cent of the population of these islands.

John Pringle,
2 Johnsburn Green,
Balerno,
Midlothian, Scotland

'What sort of central bank?'

From Mr Bryan Cassidy MEP.

Sir, One sentence in your editorial ("The UK in a cul de sac," September 12) sums up the essential weakness in the Delors committee's report on monetary union in the European Community.

That is: "The problem is that the price of transferring control to an EC-wide institution would almost certainly be worse money."

European monetary union without a European central bank is simply not possibls. But what sort of central bank? Here is the core of the Delors committee's dilemma. Unless such a central bank is entirely free of political control, the inevitable result will be a weak currency – an unacceptably high price, for the Germans in particular.

A csntral bank under the control of the European Commission is no solution. There has been little sign of financial stringency in the EC's affairs so far.

Until this dilemma is resolved, it is not just the UK whicb is in a cul de sac.

Bryan Cassidy,
The Stables,
White Cliff Gardens,
Blandford, Dorset

FINANCIAL TIMES
Monday September 18 1989

Janet Bush on Wall Street

Nasdaq shows the way to go

NO SOONER had Japan attacked Pearl Harbour than the National Association of Securities Dealers joined the war effort. About 700 of its 3,000 members shut their doors as the US joined the war but the NASD mobilised those that remained to sell war bonds and so finance the eventual victory.

The NASD celebrated its 50th birthday in Washington last Friday in a very different world.

In 1961, 22 years after the NASD was first registered by the Securities and Exchange Commission, a congressional report criticised the fragmentation and obscurity of the over-the-counter market and suggested automation as a way of removing some of the market's limitations.

The Nasdaq screen-based electronic market is now the second largest in the US after the New York Stock Exchange and the third largest in the world.

Last year, an average of 122.8m shares were traded each day. But it is not just the sheer growth of the over-the-counter market and the Nasdaq electronic trading network which is the story of the last half-century.

An obsession with the New York Stock's Exchange's Dow Jones Industrial Average, at the expense of the more important Standard & Poor's 500 index, has often meant an unjustifiedly low profile in the US financial press for the Nasdaq market.

Yet in an era of increasing domination of the nation's securities markets, the over-the-counter market still provides something of a haven for the individual investor, not to mention a source of capital for smaller companies.

Nasdaq is also increasingly international. There are around 100 European stocks listed on the computerised trading system including such famous names such as Jaguar, Cadbury Schweppes and Volvo. These are likely to be among the stocks the NASD plans to trade in a pre-dawn session – in direct competition with the London Stock Exchange – which may start early next year.

Institutional trading in this market may start to increase markedly in response to a new software system called ACES which allows market makers to execute electronically much larger trades than possible with the existing Small Order Execution System.

Perhaps the most notable aspect of the NASD, however, is that the two trading philosophies – electronic trading and a system of competing market makers – which it has always championed are rapidly becoming the norm as stock exchanges around the world modernise trading and gear up for a truly global market place.

Mr Joseph Hardiman, NASD president, believes the early decision (in 1971) to embrace technology and so create a market which could reach across America, along with multiple market makers, was what made his organisation unique and which will ensure that it is an important example to others in the future.

The concept of competing market makers may even make inroads at the New York Stock Exchange, which is fiercely proud of its specialist system in which a market is made in a listed company's shares by a single firm.

The SEC is expected shortly to approve a new basket product on the New York Stock Exchange. The NYSE has proposed a system of competing market mekers to trade Exchange Stock Portfolios, arguing that no single market maker could be expected to have enough capital to keep a market going in very large trades.

It has always been the NASD's argument that the system of competing market makers narrows spreads, increases liquidity and ensures a safer, better-capitalised primary dealer community.

What of the future? Given the move towards screen-based trading and the discussions among regulators about how to facilitate cross-border securities trading, international regulation and settlement, it is not inconceivable that an international stock market will be set up.

If this is screen-based, as Mr Hardiman believes it will be, then the NASD will no doubt be a major participant.

Asked what he believes is the major achievement of the last 50 years, Mr Hardiman said: "The market side of things always gets the most publicity and this is important. But I think we have also seen remarkable evidence of how effective self-regulation has been."

DEVELOPING COUNTRIES PAY $4.8BN TO WORLD BANK

Net outflow to Third World falls

By Stephen Fidler in London

A GROWING net transfer of resources to the World Bank from developing countries which borrow from it is disclosed by the organisation's annual report, published today.

The transfers to the Bank, totalling some $4.8bn in the latest year ended June 30, will embarrass the bank and provide its critics with ammunition. The figure, which represents the amount by which principal, interest and commission payments to the Bank by borrowers exceed the new loans they receive from it, compares with transfers of $3.5bn in the previous year.

The Bank estimates that transfers of resources from developing countries to all lenders grew to about $50bn in 1988, from $38bn in the previous year, a continuation of the deteriorating trend that has existed since 1981 when lenders transferred some $35.2bn to debtor countries.

The report also shows that the Bank was a net beneficiary of transfers from 17 highly-indebted, middle-income countries of some $1.9bn in fiscal 1989, compared with $1.3bn the year before.

Bank officials argue both that the reflow of resources is exaggerated by a number of factors beyond their control and is, in any case, not necessarily a bad thing.

NET TRANSFERS BY THE WORLD BANK TO 17 HIGHLY INDEBTED, MIDDLE INCOME COUNTRIES

Millions of US dollars; fiscal years

Item	1987	1988	1989
IBRD and IDA commitments	5,719.4	8,428.4	6,021
Gross disbursements	6,132.1	5,405.5	4,739.9
Repayments	2,709.4	3,492.2	3,546.3
Net disbursements	3,422.7	1,913.3	1,913.5
Interests and charges	2,646.6	3,180.7	3,116.2
Net transfer	776.1	−1,267.4	−1,925.6

Source: World Bank Annual Report

Net disbursement of loans fell largely because of big prepayments from some borrowers: Romania repaid $1.3bn, South Korea some $700m and Thailand about $300m. Furthermore, some countries which are normally large borrowers – Argentina and Yugoslavia, for example – drew very little from the Bank, because agreement could not be reached on economic policies.

In addition, some repayments are from countries which are now no longer eligible to borrow from the Bank, because they have become richer – for example Finland – or because they have become poorer, such as Kenya and Sri Lanka, and are now clients of the Bank's soft-loan arm, the International Development Association. If the Bank's activities are put together with those of the IDA, the net position is significantly improved.

Defending the Bank's position, Mr Ernest Stern, the Bank's senior vice president for finance, has said: "I don't think it should follow that because our disbursements to Yugoslavia declined. . . we ought to further increase our lending to Mexico." To maintain positive transfers, he pointed out that debt had to grow annually by more than the rate of interest. "If you do that, a country is destined for quick bankruptcy."

The Bank increased its provisions for possible loan losses to $800m from $500m as loans from countries overdue in principal and interest grew to $3.2bn from $2.9bn. Principal overdue rose to $626.1m from $378.9m, while income not accrued fell to $263.7m from $320.7m.

About one-third of all projects approved last year contained significant environmental components. Environmental concerns "now pervade Bank operations, policy and research evaluation, training and information activities," the report said.

New commitments by the Bank amounted to $16.4bn in year ending June 30, up from the $14.8bn committed in fiscal 1988, while IDA commitments grew to $4.9bn from $4.5bn.

Gross disbursements dropped to $11.3bn from $11.6bn, although IDA disbursements were about $200m higher at $3.4bn. Disbursements net of repayments by the Bank shrunk more dramatically to $1.9bn from $3.4bn, although IDA's net disbursements rose to $3.4bn from $3.2bn. The Bank's net income rose to $1.1bn from $1.0bn, while its borrowings slipped to $9.3bn from $10.6bn.

Anglo-US group in line to win Honda European plant deal

By Andrew Taylor, Construction Correspondent, in London

A CONTRACT to build the first European assembly plant for Honda, the Japanese automotive group, is understood to have been awarded to an Anglo-American joint venture of RM Douglas, the Midland contractor, and Turner Construction of the US.

The £300m ($468m) plant at Swindon in Wiltshire, central southern England, is expected to produce 100,000 cars a year by 1994 for British and continental European markets.

The contract to design and build the factory is thought to be worth about £70m and is subject to planning permission being granted. The plans are due to go before the local council at the beginning of November.

Honda expects to export to continental Europe about 60 per cent of the cars built on the 367-acre site, a former airfield. The company already has a UK engine plant on part of the site.

Honda has a 20 per cent stake in Rover Group, the leading UK car manufacturer and a subsidiary of British Aerospace. However, the cars to be assembled at Swindon will be solely Honda models.

Turner Construction has previously built two large car plants for Honda in Ohio in the US. RM Douglas built the Rover assembly plant at Solihull in the West Midlands of England, in the mid-1970s and also constructed large parts of the Longbridge, Birmingham, car assembly plant then owned by British Leyland.

The Swindon plant will be about 1m sq ft, providing assembly areas, paint shops, car parking and pre-delivery inspection buildings.

It is one of a steady stream of private sector building contracts which has continued to boost UK construction output, despite a sharp fall in house building this year. In some parts of the country, house building is running at half the level of 12 months ago.

RM Douglas, a medium-sized contractor, said its construction order book had risen by almost a third to £260m during the past year. John Laing, a much larger contractor, says its construction order book, mostly in the UK, has risen by a quarter to £1.25bn in the 12 months to the end of June.

So far, there have been only one or two indications that high interest rates may be curtailing commercial and industrial investment in new construction.

Mr John Douglas, chairman of RM Douglas, says: "We have enough work, now, to see us through the next 12 to 18 months. Orders are still coming in at an exceptionally high level but they are probably down by about 5 per cent compared with four months ago."

Work still to come through the pipeline includes further major investment by a Japanese car company: Toyota announced this year that it planned to spend £840m on a 200,000 cars-a-year plant at Burnaston, near Derby in the east Midlands and a large engine plant at Shotton, Deeside, in north Wales.

Brussels to discuss origin rules with US

By David Buchan in Brussels

MRS Carla Hills, the US special trade representative, wound up a six-country tour of Europe at the weekend by meeting European Commission officials and claiming to be "more optimistic" that the Community would eschew protectionism.

At a joint press conference on Saturday in Brussels with Mrs Hills, Mr Frans Andriessen, the external affairs commissioner, stressed that the EC was not trying to use its trade regulations to "force people to invest in the Community."

Mrs Hills said she was "gratified" by such reassurances and would take up the offer by Mrs Christiane Scrivener, the commissioner responsible for operation of the EC customs union, for technical transatlantic talks on rules of origin.

Companies outside the EC, including many in the US, as Mrs Hills noted, have complained that Brussels is in effect compelling them to make high-tech investments in the Community by adopting tough rules on local content. Brussels has said it only wants to stop companies getting around EC dumping penalties by putting "screwdriver" assembly plants in the Community.

However, Mrs Hills said she was still unhappy with a proposed Community directive which would state a formal preference for majority local European content in TV programming. "We don't like local content in any context, and particularly not in the context of thought," she said.

Bilateral US-EC trade disputes were distracting attention from the high priority which both sides of the Atlantic put on completion next year of the Uruguay Round of the Gatt negotiations, Mrs Hills said.

Many transatlantic rows were in areas where there were inadequate Gatt rules, such as agriculture, or no rules at all, as in services and investment.

Mrs Hills said it was impossible to single out any particular factor in "the slight reduction" in the US trade deficit in July. Particularly marked in recent US trade figures has been the US's steady improvement in trade with the Community, with the US turning a $5.3bn deficit with the EC in the first seven months of last year into a $883m surplus in the same period of this year.

For his part, Mr Andriessen welcomed Mrs Hills' assurance that Washington's proposed 2½-year renewal of steel import qnotas would be its last, providing "there is real liberalisation on the quantities involved, more flexibility and the aim is to be multilateral".

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	24	75	Dubrovnik	S	27	81	Malta	R	23	73	Rhodes	S	28	82
Algiers	F	29	84	Edinburgh	F	15	59	Manchester	S	15	59	Rio de J'o	C	23	73
Amsterdam	F	23	73	Faro	S	23	73	Manila	F	32	90	Rome	F	24	75
Athens	S	28	82	Florence	S	26	79	Melbourne	R	12	54	Salzburg	S	24	75
Bahrain	S	35	95	Frankfurt	S	23	73	Mexico City	R	23	73	San Francisco	C	14	57
Bangkok	F	32	90	Funchal	S	24	75	Miami	S	26	75	Seoul	R	21	70
Barcelona	F	23	73	Geneva	F	24	75	Milan	F	23	73	Singapore	F	31	88
Beirut	F	31	88	Gibraltar	S	25	77	Montreal	C	13	55	Stockholm	R	13	55
Belfast	S	14	57	Glasgow	C	15	59	Moscow	C	17	63	Strasbourg	S	25	77
Belgrade	S	28	82	Guernsey	S	28	88	Munich	S	23	73	Sydney	S	18	64
Berlin	F	25	77	Helsinki	C	14	57	Nairobi	C	22	72	Taipei	F	34	93
Biarritz	S	26	79	H. Kong	R	25	77	Naples	C	29	84	Tangier	F	25	77
Bombay	F	31	88	Innsbruck	S	25	77	Nassau	C	32	90	Tel Aviv	S	31	88
Bordeaux	S	26	79	Inverness	F	14	57	New Delhi	F	28	82	Tenerife	S	23	73
Brussels	S	24	75	Islamabad	F	35	95	New York	C	19	66	Tokyo	C	26	79
Budapest	S	25	77	Istanbul	S	23	73	Nice	S	23	73	Toronto	C	14	57
B. Aires	F	15	59	Jakarta	C	32	90	Nicosia	F	37	99	Tunis	S	29	84
Cairo	S	33	91	Jersey	S	21	70	Oporto	C	20	68	Valencia	F	26	79
Cape Town	R	12	54	Jo'burg	-	—	—	Oslo	R	10	50	Venice	S	21	70
Caracas	C	28	82	Lima	C	19	66	Paris	S	25	77	Vienna	S	24	75
Casablanca	F	25	77	Lisbon	R	18	64	Peking	S	23	73	Warsaw	F	20	68
Chicago	F	11	52	London	C	19	66	Prague	F	25	77	Washington	S	19	66
Cologne	S	23	73	Los Angeles	C	17	63	Reykjavik	S	8	46	Zurich	S	24	75
Copenhagen	C	10	50	Luxembourg	C	19	66								
Corfu	S	28	82	Madrid	F	23	73								
Dallas	*			Majorca	F	30	86								
Dublin	S	16	61	Malaga	S	25	77								

Readings at mid-day yesterday

C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Pressure for more Channel rail finance

By Kevin Brown, Transport Correspondent, in London

THE British Government is under increasing pressure to provide public money or financial guarantees a privately-built high-speed railway line from London to the Channel Tunnel.

The project is in douht because proposed environmental improvements have pushed up the estimated cost from an initial £1.2bn ($1.8bn) to between £3bn and £3.5bn, before allowing for inflation and interest charges.

This is too high to provide the required 12 per cent to 15 per cent real rate of return to private investors without raising the cost of tickets above the fares of competing airlines.

British Rail is still talking to constructing consortia but executives say there is little hope that the line can be financed without government help. The uncertainty is also having a knock-on effect on Eurotunnel, the Anglo-French Channel Tunnel consortium, which is in the process of raising between £1bn and £2bn to cover its own increasing costs.

Mr Alastair Morton, the British joint chairman of Eurotunnel, said yesterday that the problems facing the high-speed line were "peripheral" to the consortium's refinancing package, to be unveiled next month.

However, Mr Morton said it was essential "for Britain's industrial and economic progress in an integrated Europe that this line be put in place as quickly as possible."

The Government is under pressure to make a rapid decision to enable BR to meet parliamentary deadlines for legislation to authorise construction. It is being told by executives on all sides of the project that the increased cost has been caused largely by environmental improvements ordered by Prime Minister Margaret Thatcher herself.

Fears over Ferranti losses

Continued from Page 1

existed. The company's last report and accounts show the value of work in progress and money owed at $244m for the year to March 1987. This was six months before Ferranti took over the purported contracts as part of the merger with the US group.

A special team of investigators called in by the company to investigate the suspect contracts began work at the weekend following a statement pointing to "significant irregularities" in a number of overseas agreements.

The company has officially refused to give details of these irregularities. But people close to the Ferranti affair say that its management was led to believe that ISC Technologies Ltd held three contracts in the Middle East which may not in fact exist.

Ferranti is hoping that the investigation, being conducted by a team of accountants from Coopers & Lybrand, will turn up concrete evidence of the extent of the contractual problem before directors meet shareholders at the company's reconvened annual meeting on October 10.

It is already evident, however, that Ferranti will incur a large write-off to account for the losses on the suspect contracts.

This would demand the injection of fresh finance to shore up the company's overstretched balance sheet, and would almost certainly mean that Ferranti would have to surrender some of its ownership to a better-funded rescuer. At the end of the year to March, Ferranti was showing net debt of £160m against shareholders' funds of £371m, and its borrowings are now believed to have gone well over £200m.

Ferranti has made no secret in recent months of its desire to reach an agreement on joint ventures or alliances with other overseas or UK defence electronics contractors. Sir Derek Alun-Jones, the group's chairman, has also talked of more far-reaching equity exchanges, and has not denied that he is in discussion with other companies in the sector.

Since news of the crisis broke early last week, Ferranti is understood to have had further talks with potential overseas partners, although these are not expected to reach any conclusion until more is known about the doubtful contracts.

Daimler-Benz of West Germany, which has recently acquired a substantial defence subsidiary with the takeover of MBB, is one of the front-runners for a link with Ferranti, along with several US contractors.

The UK company is likely to favour a deal along these lines because Daimler and several US gronps have sufficient financial resources to help with a refinancing, whereas other large Europeans, such as the Thomson group of France, are financially stretched.

Ferranti has also talked to the Department of Trade and Industry, the Ministry of Defence and the Bank of England, all of which are keeping a watching brief on the affair.

THE LEX COLUMN

Taking the magic out of profits

The interim results season has so far been a relief for analysts – the big names have produced adequate or, in BTR's case, excellent, profits figures. Those profits warnings and unexpected losses that have been announced have mostly come from the smaller companies – those dependent on one product or one market, such as housing or DIY. But last week's announcement by Ferranti illustrated how slender the link can be between reported profits and the real world.

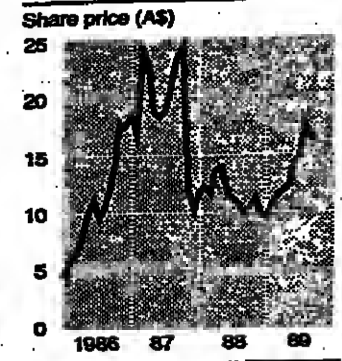
Most of the main accounting tricks of the trade have been known for a long time. End-of-year figures can be massaged by the simple device of squeezing debtors and procrastinating with creditors. Property profits can bolster disappointing figures; interest costs can be capitalised; provisions can be made in good years and raided in bad ones. But the two main areas of obfuscation relate to acquisitions and major contracts. The smart acquirer can write down stocks and assets, taking the subsequent profits on stock sales through the p & l account and redncing the depreciation charge in the process. That boosts profits in the short term and by the time one acquisition has lost its growth impetus, other acquisitions are flowing through the system. And when to recognise profits on contracts is an age-old dilemma, particularly in the construction and defence sectors; it is difficult for auditors to challenge contractors' definitions of the percentage of a project that has been "finished".

The problem comes when the music stops. There is a point in the lifetime of any contract when it becomes obvious that the contractor is over-running its budget or is simply not getting paid. And if demand slows, predators may not have either the cash or the equity rating to keep their feet on the acquisitions treadmill. Those companies where financial control has been decentralised may find that subsidiaries have been giving them the numbers they want to hear, rather than the numbers as they are.

There is some evidence to suggest that the music could be about to stop for quite a few UK medium-ranked companies. The last few years have seen rising share prices and a booming economy and what one institution describes as "a bull market in loose accounting practices". The acquisitions spree that began in 1985-6 has been the engine for a vast number of corporate "success stories", some of which may have produced very little in the way of organic growth. A few, such as FKI, have started to unbundle themselves but its experience only highlights what tha stock market has always suspected – the sum of the parts is rarely greater than the value of the lowly-rated whole. Worse still, even a soft landing in the UK economy might be sufficent to drive such companies into reporting surprisingly poor results.

News Corporation

Share price (A$)



Private investors

The personal investor is beginning to tiptoe back into the market. Although this week's unit trust figures are unlikely to show that net investment is running at anywhere near close to the £1bn plus a month rate at the peak of the 1987 bull market, it should show a welcome improvement on last year's average net inflows of £150m a month. Meanwhile, the more canny investors must have noted that investment trusts have been the fifth best performing sector of the FT All-Share index this year.

Of course, it would be very surprising indeed if unit trust sales had not risen, given the stock market's performance over the last year, and investment trusts, by virtue of their gearing, tend to outperform in a rising market. However, there are other signs that the personal investor is beginning to drift back to unit and investment trusts. The budget changes in personal equity plan rules have helped the unit trust industry and the advent of investment trust savings schemes is a long overdue initiative in a sector with a wonderful product but abysmal marketing skills. The growing power of these savings schemes is one of the reasons why the average discount is now the lowest since 1975.

Nevertheless, unit and investment trusts continue to play a surprisingly small role in the growth of personal savings. Unit trusts complain that they are overshadowed by the huga firepower and tax breaks of the hig insurance companies and building societies. Investment trusts blame their own poor showing on the fact that they are treated even more shabbily by officialdom than the unit trusts – a point well documented in CNWM's excellent 1989 investment trust annual.

However, while the playing field is far from level, both the unit and investment trust industries could do far more to promote their cause. Until the fragmentation of the unit trust industry is resolved, it will remain a weak and inneffectual competitor, and while investment trust managers are beginning to talk of marketing their product, it remains a very amateurish affair.

MGM/UA

Ten months ago, Wall Street analysts thought that the legacy of Mr Kirk Kerkorian's reign at MGM/UA was a company worth no more than $12 per share, for all the wonders of cash flow doubtless waiting to be liberated from its film library.

It is hard to see, then, that it can now be worth the $25 per share which Australia's Qintex is saying it will pay for it, whatever the synergies with Qintex's television network back home, or the sncceses MGM/UA had with Rain Man and Thirtysomething. Mr Rupert Murdoch was apparently saying the same thing on Friday. Even with the possible economies of scale in distribution, say, to he reaped by bringing MGM/UA under the same umbrella as his own Fox Inc film business and television network operation in the US, it did not make sense for News Corporation to enter a competitive auction with Qintex starting at $26. After all, Fox is already stepping up its own film production and MGM/UA's added weight does not look essential.

One can see perhaps some deeper meanings in the episode, too. We now know from the man himself that Mr Murdoch has dropped his plans for Media Partners International, as a form of Murdoch-controlled investment trust to pursue further media acquisitions. That he was prepared to pay $1.4bn for MGM/UA, and that he looked seriously at taking a hand somewhere in the Time/Warner/Paramount struggle, indicates that News Corporation's grand acquisitiveness remains, and that he does not need MPI to finance it.

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INSIDE

Hidden blessings to Campeau crisis

Last week's troubles for Robert Campeau (left), the Canadian businessmen who assembled the world's largest department store empire with nothing except $10bn in loans and a dream, plunged the US $200bn junk bond market into its worst crisis ever. Traders say the market in many issues has all but dried up. This sounds terrible but may be a blessing for the credit markets, and the US financial system as a whole. For there was strong evidence last week that junk bond investors, intrigued by the possibility of actually receiving interest and principal, were buying higher-grade debt securities. Page 24

Ins but no outs at Co op

Since Co op, Germany's sixth biggest retailer, announced on Wednesday that its 124 unsecured creditor banks had failed to agree to a last-minute restructuring package, the list of suppliers wanting to reclaim their stock has accelerated. Tales of bounced cheques and demands for cash on delivery have abounded as companies all over Germany pore over their books to ascertain their Co op exposure. But, as Haig Simonian reports, while loaded trucks can roll into the group's 11 regional depots, access for those wanting to take out their — as yet unpaid — goods is distinctly verboten. Page 25

Reciprocity and art of the deal

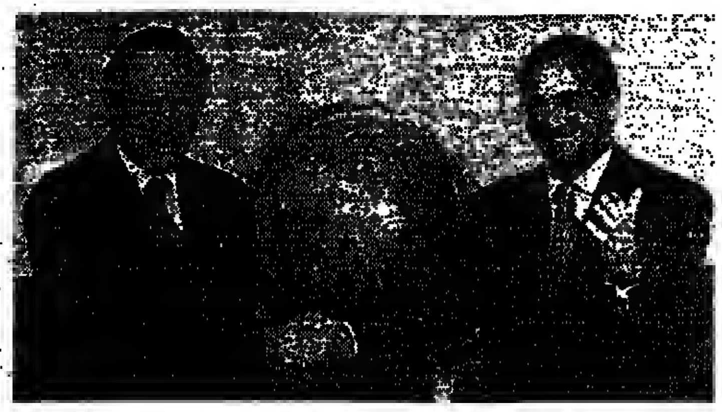
Europe's current binge of cross-border mergers and acquisitions has focused attention on tha question of take-over reciprocity. UK businessmen, eyeing the array of bid-proofing devices sheltering publicly quoted companies alsewhere in Europe, have been quick to cry foui. Unfair this asymmetry may be, but the British, with their open stock market, seem to have been more than holding their own against countries where bid-proofing is widespread, writes Guy de Jonquières. Page 44

Market Statistics

Companies in this section

European jets take up battle formation

Paul Betts looks at last week's deal between Air France and Lufthansa



Rühnau (left) and Attali: response to deal-making fever

Air France and Lufthansa, the French and West German state-controlled airlines, are trying to shake off their dowdy corporate image of "sleeping giants" of the European airline industry by joining forces to take on their major rivals in the fast changing and increasingly competitive international airline market.

The partnership pact they signed at the end of last week is a direct response to the current deal-making fever spreading throughout the airline industry. It is also likely to establish in Europe two major competing blocks with not only their distinct personalities but also significantly different strategies. One is led by British Airways (BA), Western Europe's largest international airline, the other by the new Franco-German alliance combining the two biggest airlines in Continental Europe.

Both Mr Bernard Attali, the chairman of Air France, and Mr Heinz Rühnau, his opposite number at Lufthansa, were at pains to emphasise last Friday in Paris that their co-operation agreement, which does not involve any swapping of share stakes, such as Swissair and Delta Airlines or BA and UAL are proposing, would not be turned against any specific rival airline.

Neither, they stressed, was it a rushed reaction to the growing scramble for partners in the world airline business. But they also acknowledged that recent moves by other major airlines, and especially BA — with its acquisition of British Caledonian, its planned 15 per cent stake in United Airlines in the US and its joint moves with KLM to secure a shareholding in Sabena the Belgian airline — could hardly leave them indifferent.

"We are in competition with large companies which sometimes have an advantage over us," said Mr Rühnau. "We have therefore opted for European co-operation."

Mr Attali said the emergence of the single European market and a decade of deregulation in the US had intensified competition and forced European airlines to make serious strategic choices. Most airlines were now trying to expand faster to strengthen their competitive position, he said.

"Some are already planning quite spectacular international alliances, sometimes with the ulterior motive of dominating their partner or partners. Others are seeking well-balanced, lasting strategies of alliance. This is the case of Air France," he said.

Although the two airlines insist they will retain their separate identities and will continue to compete against each other, the partnership constitutes a formidable force in the industry, with 299 aircraft (157 for Lufthansa and 142 for Air France), more than 32m passengers flown each year, a combined turnover of more than FFr70bn ($10.5bn), and a total workforce of 75,000 people.

Although at this stage there are no plans for cross-shareholding links the two partners do want to open up their co-operation agreement to other airlines, including Iberia of Spain. Both Air France and Lufthansa also confirmed they were holding discussions with American Airlines, the largest US airline and one of the main rivals of United Airlines, BA's US partner.

Some analysts have already questioned the benefits of the Lufthansa-Air France tie-up and regard the co-operation agreement as a relatively weak response to the shake-up in the industry. However, Mr Rühnau said the alliance would stretch "well beyond the documents we have just signed." He also questioned in turn the benefits of taking a minority stake in another airline. "I don't see how much you gain by having 10 per cent," he said.

Other analysts, however, expect the partnership to offer significant rationalisation and cost cutting gains for the two airlines. "The true battle will be fought and won not just on the quality of service but also on costs," Mr Attali emphasised.

Moreover, the two airlines, with a long history of co-operation, have already started to implement their new agreement which involves strengthening their ties in all aspects management and operations. In the next few weeks, they plan to set up a joint subsidiary in airline catering and regular executive staff exchanges will begin next November. They have also agreed that their general managements will meet twice yearly to examine all the fundamental issues relating to co-operation between the two airlines.

The most significant areas of co-operation are likely to involve the joint launching of new long-distance routes from Europe and the two companies are already considering a new service from Germany, via France, to the French West Indies. They also intend to harmonise their new aircraft acquisition policies and plan to negotiate jointly with aircraft manufacturers.

Other important areas of immediate co-operation are joint pilot training schemes, the joint development of regional air services in Europe and closer co-operation in cargo operations.

Lufthansa has long been a dominant player in the cargo business and Air France is now seeking to build up its freight operations. Only last week, it became the launch customer of the Boeing 747-400 cargo programme by placing a $600m order for five of the new jumbo freighters.

Mr Attali said the partners wanted to develop with other major airlines a computerised cargo handling and monitoring system, similar to their Amadeus computerised passenger reservation system.

The Air France chairman also said the two airlines were ready, if necessary, to pool their efforts and financial resources to examine joint acquisition opportunities which would strengthen their operations.

The co-operation agreement has confirmed the consolidation which is beginning to take place in the European airline industry and is likely to put further pressure on European Commission regulators to address the growing problem of ensuring fair competition in an increasingly deregulated European airline environment. Both Mr Attali and Mr Rühnau claimed their pact raised no competition issues and had been welcomed by their governments as a new example of Franco-German co-operation.

But Brussels and national regulators are none the less expected to take a hard look at the competitive implications of this latest agreement between two major European airlines. As Mr Michael Bishop, chairman of British Midland, the British airline in which SAS of Sweden owns a 24.9 per cent stake, put it last week: "The qnestion is wbether national and Community regulators will permit the scale of change taking place in the industry."

Lessons for today from Mr Cobden

Martin Wolf on the rise of Japan and the decline of the Soviet Union

"It is to the indnstry, the economy, and peaceful policy of America, and not to the growth of Russia, that our statesmen and politicians ought to direct their anxious study; for it is by these, and not by the efforts of barbarian force, that the power and greatness of England are in danger of being superseded; yes, by the successful rivalry of America, shall we, in all probability, be placed second in the ranks of nations."

Thus wrote the then almost unknown Richard Cobden, subsequently head of the Anti-Corn Law League, in his pamphlet, England, Ireland and America, published in 1835, well before British power reached its zenith. In 1830, the population of the US had been 12.9m, while that of the British isles was 24.2m. Projecting recent population growth forward, he went on to prophecy that "the population of the United States will, in seventy years from this time... exceed one hundred millions." Cobden was out by ten years in his prediction, but the US managed to overtake the UK as an industrial power only fifty years after he wrote these lines.

Cobden poured scorn on the British obsession with colonial policy and the European balance of power. This Palmerstonian approach he regarded as worse than wasteful and irrelevant. It was a crippling burden. Committed to these mistaken policies, he complained, the UK spent six and a half times more than the US on preparations for war, even though the population was only twice as large.

Just as the UK looked at the threat of Russian expansionism, so for more than forty years has the US been obsessed by its military rivalry with the Soviet Union. But the peaceful internal development of an unarmed Japan has represented the most dramatic change in the international scene, while the recovery and subsequent growth of an increasingly integrated western European economy has been almost equally remarkable.

More can be learned from Cobden than that the internal development of nations — not their devotion to the fruits of war or diplomacy — has determined the distribution of power in the era of modern economic growth. Cobden was convinced that empires were a wasteful luxury, that anything one country might wish to obtain from another could be most conveniently gained through peaceful commerce and that a major war, being self-evidently futile, could be prevented by the expedient of free trade. With one hundred and fifty years of agonising experience to guide us, we can see that Cobden was right on every point, except, unhappily, the last.

Europe has had three world-scale imperial powers: Spain, the UK and Russia. All are in a pretty sad state today. Spain has taken centuries to recover from its imperial decline and remains one of the poorer nations of western Europe. The UK gained its empire because it was powerful, rather than derived its power from the empire. It then suffered the consequences of imperial self-indulgence, against which Cobden had warned. The plight of the Soviet Union, despite its vast military power, is obvious to the casual reader of the newspapers.

Look more closely at contemporary western Europe. Incomes per head show a marked negative correlation with the size of a country's overseas empire, at its zenith, relative to that of the mother country. None of the richest countries — Switzerland, Norway, Sweden, Denmark, Finland — had an overseas empire, while the poorest, Portugal, was the pioneer of maritime imperialism.

Cobden's view of the futility of empire was subsequently repudiated in his own country, partly because it was so rewarding for the aristocratic and military classes, who continued to play a major role in domestic politics. Atavistic late nineteenth century English imperialism stimulated, and responded to, that of Germany. Even though Germany had managed to rival British economic strength without the burdens of an overseas empire, the Kaiser wanted such imperial baubles of his own.

In the Second World War, still more primitive economic imperialism drove Japan's push for its Greater East Asian Co-prosperity Sphere and the Third Reich's for *lebensraum*. At great cost, both attempts were thwarted; but Japan and West Germany have since obtained more wealth, and almost as much influence as they could have desired, by selling the world better gewgaws.

Nothing better illustrates Cobden's point about the primacy of peaceful internal development than the relative position of Japan and the Soviet Union today. Both began their modern economic development a little over a century ago and both were devastated during the last war. Japan has less than half the population and 1.7 per cent of the area of the Soviet colossus. It lacks resources, other than its people, and is entirely dependent on trade for maintaining its standard of living. Yet its gross national product may well be greater than the Soviet Union's, while no comparison can be made in the quality of its products and their acceptability in world markets.

If imperial expansion is futile, so is any other way of using force to obtain resources, particularly advanced industrial products. From the German reparations of the 1920s to the Japanese trade surplus of today, such transfers of resources have consistently been viewed as damaging to the domestic industry of the recipient, rather than as additions to national wealth.

In any case, transfers of resources from abroad, however large, fail to compensate for inability to develop domestically (as the subsequent fates of sixteenth century Spain and of the beneficiaries of the rise in oil prices of the 1970s demonstrate). Moreover, even if such transfers were useful, countries like Japan and West Germany have proved willing to offer voluntarily what an imperialist might try to extract by menaces. The usual complaint is that Japan offers too much, too cheaply and for too little in return, not the reverse.

Neither the possession of an extensive empire nor threats of force add anything useful to the prosperity of a "great power". They have become a form of conspicuous consumption, as wasteful as the pyramids, but much less magnificent.

Atavistic nationalistic urgings, rightly despised by Cobden, will continue to be shown in mercantilist sabre-rattling. Such behaviour could even threaten the prosperity of us all. But events have given Cobden the victory, not least the advances of technology that have made a major war unthinkable for any but the insane. The age of the mercantile state has come. That of the military empire is gone, at last.

Economics Notebook

Feminism and man-made policies

IF THE proverbial man from Mars were to descend on Washington towards the end of this week, he would have a golden opportunity to ponder one of the normally unremarked oddities of the world economy.

He would be able to reflect on the fact that around 50 per cent of the Earth's population are women while most of the thousands of officials, bankers and journalists arriving for the annual meetings of the International Monetary Fund and World Bank will be men.

That running the world economy is a predominantly male preserve raises few eyebrows and still fewer questions. Bnt now some old assumptions may be challenged with the emergence of feminist alternatives to traditional economics.

There is nothing new to the idea that the present economic system is loaded against women, particularly in the developing world.

According to the World Bank, women in many parts of sub Saharan Africa make up around 60 per cent of the labour force and grow about 80 per cent of the food. Yet they earn only about 10 per cent of the money income and own only 1 per cent of the assets.

A recent report by a Commonwealth study group† claimed that the international debt crisis and the economic stabilisation measures adopted to tackle it have ended 30 years of social and economic progress for women in some developing countries.

Women, it said, were put at a disadvantage compared with men because of their multiple roles as producers, home managers, mothers and community organisers, and by inadequate access to productive resources and support services.

To some extent, these problems had already been identified and some action taken. For example, Mr Barber Conable, the World Bank President, launched a "women in development" initiative some time ago in an attempt to improve their lot in Third World countries.

But a new book* by Ms Marilyn Waring brings the problem much closer to home. She says women in the industrial economies are in a similar position to those in the developing world because their contributions to society are not recorded.

Ms Waring, who once chaired the public expenditures committee of the New Zealand parliament, argues that the way in which nations calculate economic activity lies at the root of the problem. The United Nations System of National Accounts, which has been developed since the Second World War to provide an internationally standardised measure of economic activity in countries, has established that certain areas of human activity lie outside what it calls the production boundary. Broadly speaking, productive economic activity is defined as having a market value.

This distinction has left non-wage household work in industrial and developing countries and much agricultural and handicrafts work in the Third World out the official statistics.

As a result, Ms Waring claims that women have become largely invisible in national accounts.

The Commonwealth study group has pointed to the disadvantages that this can create for women in the Third World. Ms Waring maintains that in industrial countries, a consequence of under-recording a woman's work in the home is the provision of meagre social and retirement benefits.

To redress the situation, she advocates a form of statistical civil disobedience.

When filling in forms for censuses, labour force surveys and household surveys, women sbould ignore the nsual requirement to omit details of housework and designate themselves as "unpaid workers", giving a full account of hours worked in the home. In that way, governments would become aware of the role of women in society.

One of the notable developments of 1989 has been the emergence and acceptance of environmental concerns as an important component of economic policy making. Where the greens have led, will feminists now follow? Ms Waring doubts it.

Men can support green economics without any loss of power, she says. By contrast, feminist economics is a threat to male dominance.

British hopes

Hopes are growing among British officials that Mr Nigel Lawson, the Chancellor, may be able to avoid a politically difficult decision over Japanese demands for Britain to step down from its number two position in the International Monetary Fund at this year's IMF annual meeting.

It is thought that the US, as the IMF's biggest shareholder, could block moves for a general increase in fund quotas or subscription rights at the meeting, as a result of problems with the Congress over the US budget.

In that case, Japan's ambition to move up from five to two at the IMF woulds be almost certainly delayed by a few months at least.

†*Engendering Adjustment for the 1990s. Commonwealth Secretariat Publications, Marlborough House, London SW1Y 5HX. £6.* **If Women Counted by Marilyn Waring. Macmillan London. £14.95.*

Peter Norman.

THIS WEEK

DOMESTIC and international monetary matters move into the spotlight in a week that sees world economic policy makers converge on Washington for this year's annual meetings of the International Monetary Fund and World Bank.

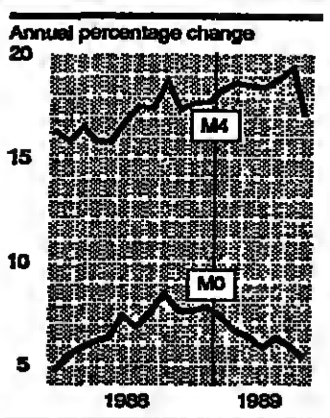
The IMF and World Bank jamborees begin in an admittedly low key manner with officials from the Group of 24 developing nations meeting on Thursday and Friday in preparation for a Saturday G24 ministerial meeting.

Also on Saturday, however, the finance ministers and central bank governors of the Group of Seven leading industrial countries gather to discuss the strong dollar, policy co-ordination and whether to increase the IMF's resources. Sunday sees meetings of the Group of 10 industrial countries and the IMF's policy making Interim Committee.

The US Federal Reserve "Beige Book" on Wednesday will give an idea of how the increasingly influential regional Federal Reserve banks view the US economy and monetary stance ahead of the next Federal Open Market Committee in early October. US consumer price trends for August are disclosed on Tuesday. The consensus of analysts' forecasts compiled by MMS International, the financial research company, points to a 0.2 per cent rise on the month.

In Frankfurt, West Germany, the Bundesbank's policy making central council meets on Thursday.

In Britain, Wednesday's money supply figures for August are expected to show an acceleration in the annual rates of growth for M0, the narrow measure targeted by the Treasury, away from the 1 to 5 per cent range it set for this financial year. The MMS consensus of forecasts is for seasonally adjusted M0 growth of 5.7 per cent compared with 5.3 per cent in July. M4, the broader measura which includes bank and building society deposits, is expected to



grow by 17.7 compared with 17.1 per cent in July. At the same time, bank and huilding society lending figures are released.

Also on Wednesday, Britain reports its unit labour costs, productivity and industrial production figures for July.

The MMS consensus is for a 0.4 per cent monthly gain in manufacturing output for July and a 1.6 per cent rise in overall industrial production.

Other events and statistics (with MMS International consensus in brackets) include:

Today: UK, Public Sector Borrowing Requirement for August (£550m).

Tuesday: US, August housing starts (1.43m), Japan, August money supply; July household consumption, Tha Hague, Netherlands, 1990 budget presentation.

Wednesdey: Kingston, Jamaica, meeting of Commonwealth finance ministers.

Thursday: US, 2nd quarter GNP revised (2.7 per cent); GNP deflator (4.6 per cent).

Friday: UK, 2nd quarter GDP average measure; August building society commitments. US, August personal income (up 0.3 per cent); personal expenditure (0.4 per cent).

Saturday: Geneva, Switzerland, Opec committee reviews oil market.

Sunday: Washington, IMF's World Economic Outlook published.

INTERNATIONAL CAPITAL MARKETS

INTERNATIONAL LOANS

Corporate woes make no impact

THE GROWING litany of corporate woes recounting problems across the world – for Campeau, Bond Corporation and Eurotunnel to name but a few – seems to have little impact on international banks' appetite for corporate credits at wafer-thin returns.

The £1bn two-year credit for Bass, the UK brewing and leisure group, to finance its £1.3bn acquisition of Holiday Inns' North American hotel business, was heavily oversubscribed, in spite of the meanness of returns to bankers. No fees were paid up front, except to the original underwriters, and the margin over interbank rates was a tiny 0.15 per cent.

Bankers also report oversubscription on the finely-priced transactions for the soon-to-be-privatised British water authorities.

Even Mr Robert Maxwell edmitted that terms on the $3bn financing for his Maxwell Communication Corporation were tight. The transaction is split into three parts – e $1bn one-year term loan, e $1.25bn five-yeer term loan and e $750m three-year revolving credit. Underwritten by six banks, led by Crédit Lyonnais and Swiss Bank Corporation, which do not incidentally include two banks witb long-standing reletions with the Maxwell companies – Midland and Toronto-Dominion – the credit will be syndicated this week, when terms will be disclosed.

If speculation is correct, however, tbe deal could be priced roughly around 35 basis points. If so, that compares with ⅜ point on a $1.32bn facility last year, one of the credits being refinanced.

Somewbat fatter margins prevail on the bank finance for Polly Peck's $875m acquisition of Del Monte's fresh fruit operations. The $550m in loans to finance tbis bave been underwritten, and the deal is being syndicated by Credit Suisse First Boston.

The loans are to a group calling itself PPI Del Monte Fresh Produce BV, and lenders will have no recourse to Polly Peck. The financing is in three parts – a $75m three-year working capital facility, a $200m three-year ship disposal bridging loan and a $275m eight-year term loan, with a six-year average life. Margins for the loans start at 1¼ point, falling to ⅝ depending on debt to capitalisation ratios. Up-front fees range from ⅜ point to ⅞ point.

CSFB is also syndicating a $200m, four-year deal for Wharf Holdings of Hong Kong. This general-purpose revolving credit carries a ⅛ point commitment fee and a ¼ point margin.

Citicorp is leeding an Ecu255m financing for Autostrade dei Fiori, the highway of the flowers, running from the border with France to Savona, Italy. It is in three parts (e third of which will be syndicated to e smaller group of banks) comprising an Ecu65m, five-year portion at e 15 basis point margin, an Ecu65m, 10-year portion with e split margin of 17½ and 20 basis points, and a 20-year part, split 35, 40, 45 and 50. The funding is for motorway improvements.

Chase Investment Bank is arranging a DM321m refinancing for the Public Power Corporation of Greece. The loans bave five years left to run, with e year's grace, and carry a ¼ point margin.

That compares with ⅜ point on an eight-year deal in April for the seme borrower, arranged by Sumitomo, considered highly aggressive at the time. Front-end fees on the latest deal, which range down from 35 basis points, are higher and the maturity, of course, shorter. *The status of PPC as* a sovereign credit – and therefore subject to a lower (20 per cent) risk weigbting than a regular corporate credit – is somewhat ambiguous. That is notwithstanding a letter from the Bank of Greece defining PPC as just sucb a sovereign borrower.

Connty NatWest has arranged a £168m limited recourse financing for Wimpey Little Britain, which sounds as if it should meet with Prime Ministerial disapproval but is, in fact, a City of London building being developed by the Wimpey Group. It matures in 1997 and terms have not been disclosed, althongh they are said to be similar to the ¾ point margins prevailing on recent similar deals.

Stephen Fidler

INTERNATIONAL BONDS

Launch brings thorny issue of disclosure to a head

WHAT DOES a Eurobond underwriter beve to tell the market about e new issue and when does it need to be said in order to avoid misleading the market? And what exactly constitutes an attempt to mislead the market anyway?

The thorny issue of disclosure has been brougbt to e head hy Baring Brothers' launch two weeks ago of a £200m issue of domestic debentures for Allied Lyons. On the day of launch, Baring Brothers took the unusual step of announcing that it placed only about 55 per cent of tbe issue with investors and explained it was making its statement on legal advice in order to avoid violating section 47 of the Financial Services Act.

This section, in two parts, prevents firms or individuals from making misleading statements or from committing acts or courses of conduct which are designed to create a misleading impression of a security.

However, Slaughter and May, the firm of City solicitors whicb advised Baring Brothers to come clean on its distribution of securities, are quick to point out that the firm's disclosure was required because of the peculiar nature of the domestic dehentures and should not necessarily apply to the Eurobond market.

"I'm not suggesting the people should go ont and bare their souls and say an issue has gone bedly," said Mr Nicholas Wilson, the senior partner at Slaughter and May who advised Baring Brothers on the Allied Lyons issue.

While a domestic debenture issue can be said to be completed in e single day – making disclosure of final placement possible – the distribution of a Eurobond is telescoped over several weeks, with completion of the deal occurring as late as a month after launch. It is not clear that any disclosure is required until the deal is completed. Also, Eurobonds are often listed on a non-UK exchange, such as Luxembourg, making the need to comply with UK laws even more fuzzy.

The Allied Lyons securities, which are listed on the London Stock Exchange, were launched after a pre-placement letter had been circulated to potential syndicate members offering them the opportunity to buy stock at a margin of 105 basis points over the UK Treasury's 9 per cent gilts due 2008. Firms were to have an opportunity to bid between 9am and 2pm, after which the price of the issue would be set.

Although Baring Brothers was not required to specifically disclose how much of the offer had been taken up, Slaughter and May believed that to omit that fact, under the circumstances, could well have been misleading. And while sensitivities abont disclosure have been heightened by the recent revelations of the Blue Arrow affair, Mr Wilson said that the announcement was prompted by the Financial Services Act, the relevant clauses of which have been in effect since April 29 1988.

Baring Brothers says it believes that, contrary to expectations, it has actually benefited from its disclosure. It has won plaudits from institutional investors relieved to know exactly how bonds have been distributed and says there have been none of the expected disruptions to secondary market trading that are generally believed to accompany disclosure of a firm's market position.

Meanwhile, the Securities Association, the self-regulatory body to which most Eurobond underwriters belong, shows little inclination to either force Eurobond issuers to disclose the performance of a new issue or even to represent accurately its performance in statements made to the market.

A spokeswoman said that the association believed that responsibility for firm guidelines about disclosure rested with the Department of Trade and Industry (DTI), which would prosecute fraud cases, and that it had sought an opinion from that body.

For its part, the DTI said it had received no formal request for such an opinion from the Securities Association but that it believed it would be up to the courts to decide what actions constituted misleading behaviour in the Eurobond markets.

However, the spokeswoman said that the Securities Association's own legal advisers believed that if existing Eurobond market practice had been for underwriters to advertise their issues as "successful," even when they were not, it would be difficult to prosecute underwriters in future for that type of misleading statement, in spite of section 47 of the Financial Services Act. "If market practice is to say an issue is successful, with a wink and a nod, and everyone knows that it's not, it would be very difficult to launch a prosecution," she said.

Meanwhile, the question of disclosure dogged the markets last week following the launch of a £100m five-year Eurobond for General Electric Capital Corp which, traders said, had been the subject of a so-called short squeeze engineered by lead manager Kleinwort Benson. For its part, Kleinwort declined to comment on whether a squeeze had occurred or on the success of the issue, saying it was consulting with its lawyers and its compliance officers and would not say anything without advice.

Its reticence to comment, according to Mr Constantine Von Schweinitz, head of debt syndicate and swaps at Kleinwort, reflects the concern about disclosure raised by the Allied Lyons issue. The issue officially closes on September 26 and the firm will decide then whether or not to make a statement.

But dealers said that the issue, launched into a weak market, had begun to suffer from the start when it was issued last Tuesday. A group of 10 firms had been asked by the borrower to bid on either the bond, the swap or both. Kleinwort won the mandate for both, leaving nine disappointed competitors who had already begun sounding ont clients about the securities.

The issue is rated AAA and is GECC's first in Eurosterling, making it a prestigious mandate for which bidding was intense.

The issue began to suffer almost immediately, falling outside the 1⅞ per cent fees on the day of launch and continuing the next day. However, dealers said that a short-squeeze was engineered, beginning late Wednesday afternoon and by Thursday morning brokers' screens were displaying a bid price of less ⅝ per cent.

Norma Cohen

EUROMARKET TURNOVER ($m)

Primary Market	Straights	Conv	FRN	Other
US$	910.0	0.0	0.0	11,137.5
Prev	1,530.1	0.0	315.0	10,215.0
Other	713.5	0.0	0.0	4,134.0
Prev	1,190.7	42.3	0.0	2,077.0
Secondary Market				
US$	16,797.3	978.1	3,982.1	6,433.3
Prev	15,597.2	1,371.2	2,910.1	5,341.9
Other	12,468.3	1,245.3	2,392.0	23,098.9
Prev	11,924.4	1,258.2	3,033.2	17,466.0

	Cedel	Euroclear	Total
US$	9,599.6	30,638.7	40,238.3
Prev	9,938.0	27,342.5	37,280.5
Other	18,496.3	25,555.7	44,052.0
Prev	14,600.2	22,391.6	36,991.8

Week to September 14, 1989 Source: AIBD

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Sharp Corp.‡♦	500	1993	4	3½	100	Nomura Int.	3.500
Yuasa Battery Co.‡♦	150	1993	4	3⅝	100	Nomura Int.	3.625
Societe Generale Fin.♦	100	1993	4	9⅛	100.15	Societe Generale	9.079
Euro Credit Card Trust♦	325	1994	5	9	99.80	UBS Phillips & Drew	9.051
Bergen Bank♦	20	1990	1	8⅞	100.6875	Sanwa Int.	7.883
Bank Communications(l)‡♦	100	2001	12	10bp	100	Goldman Sachs Int.	-
Hokuetsu Paper Mills♦	150	1993	4	(4⅛)	100	Yamaichi Int. (Eur)	★
Mitsubishi Metal Corp.♦	300	1994	5	(4⅞)	100	Nikko Secs. (Europe)	★
Exxon Capital Corp.♦	250	1994	5	6½	99.80	CSFB	8.551
CANADIAN DOLLARS							
Toyota Motor Cr.Corp.♦	150	1994	5	10⅞	101⅞	Nomura Int.	9.914
Vereins-und W'bank Int.♦	75	1991	2	11⅛	101⅜	Bankers Trust Int.	10.186
AUSTRALIAN DOLLARS							
Fed.Bus.Dev.Bk C'ada(b)♦	50	1990	1	19	101⅞	Bankers Trust Int.	16.810
CIBC Australia♦	40	1992	3	15½	101⅜	Fay. Richwhite	14.737
D-MARKS							
Nippon Piston Ring‡♦	100	1994	5	1½	100	Deutsche Bank	1.500
Vnesheconombank♦	500	1996	7	7½	100¼	Commerzbank	7.453
SWISS FRANCS							
Carter Holt Harvey(a)§♦	125max	1994	-	5½	100	S.G. Warburg Soditic	5.576
Meitic Corp.(l)★★§♦	50	1993	-	⅜	100	Royal Trust Bank	0.375
Koike Sanso Kogyo(l)★★§♦	50	1994	-	½	100	Wirtschafts-und Prvk	0.500
Toyo Exterior Co.(k)★★§♦	100	1994	-	¼	100	Nomura Bank (Switz)	0.250
Tayca Corp.(n)★★§	50	1993	-	½	100	Credit Suisse	0.500
Tayca Corp.★★♦	50	1993	-	2¼	100	Credit Suisse	2.250
Atsugi Nylon Shoji(q)★★§	60	1994	-	(¼)	100	SBC	★
Sakata Inx Corp.(c)★★§♦	85	1994	-	½	100	UBS	0.500

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
Girozentrale-Vienna(g)‡♦	50	1999	-	4¼	100	Credit Suisse	4.250
S'tomo Spec.Metals(h)★★§	200	1994	-	Zero	100	SBC	-
Mitsuba Electric Mfg.★★♦	70	1994	-	2⅝	100	Wirtschafts-und Prbk	2.625
Ebara Netherlands★★♦	35	1994	-	6⅛	100¼	Dai-Ichi Kangyo Bank	6.066
Benkan Corp.★★♦	25	1994	-	6¼	99¾	Yokohama Finanz	6.310
Int.Inv.Holding(p)	50	1994	-	(6⅞)	(99½)	DG Bank (Switz)	★
STERLING							
Gen. Electric Cap.Corp♦	100	1994	5	11½	101⅛	Kleinwort Benson	11.093
TMC Pmbs First Fin.2‡♦	250	2029	7.2	(m)	100	Salomon Brothers	-
ECUs							
Unilever NV♦	100	1992	3	8⅞	101.56	San Paolo Bank	8.267
LIRE							
Volkswagen Int.Fin.♦	150bn	1994	5	12½	101⅞	Credito Italiano	11.980
GUILDERS							
Mitsubishi Metal Corp.♦	200	1993	4	(2⅛)	100	Amro Bank	★
YEN							
Mitsui and Co.Int.(d)♦	20bn	1993	4	8.05	101⅞	Yamaichi Int. (Eur)	7.501
Toyota Tausho Fin.(e)♦	3bn	1994	5	6⅛	101⅞	Marusan Secs. (Eur)	5.807
SDS Bank Ltd.(f)♦	1½bn	1993	3¼	(f)	101.276	Yamaichi Int. (Eur)	-
C.Can.Desjardins Quebec♦	11bn	1993	4	5.35	101⅞	LTCB Int.	4.893
Montreal Trust Co.(d)♦	8bn	1993	4	Zero	84.52	Mitsui Trust Int.	4.294

★Not yet priced. ★★Private placement. ‡With equity warrants. §Convertible. ‡Floating rate notes. ♦Final terms. a) Investor can exchange one convertible 5½% 1987/97 bond and buy one new bond for two new bonds. Conversion price NZ$5.45. Yield if not converted 5.525%. b) Dual-currency. Borrower option to repay in US$ at 74 cents per A$. c) Yield to put 3.85%. d) Redemption linked to Nikkei stock index. e) Reverse dual-currency. Yen/A$ linked. f) First coupon 25bp over 3-month Libor, thereafter formula linked to Nikkei stock index. g) Each SFr5,000 has 100 warrants each can be exercised into one participation certificate [illegible] between Nov.1989 and Oct.1995. h) Yield to put 3.95%. i) 10bp over 6-month Libor. Call at par from Oct.1995. Put at par in Oct.1995. j) Yield to put 3.621%. k) Yield to put 3.660%. l) Yield to put 3.595%. m) 165bp over 3-month Libor first 10 years, +50bp thereafter. Call from [illegible] years, if less than 10% of issue outstanding and after 10 years at par. n) Yield to put 3.594%. p) Unlisted. q) Indicated minimum coupon [illegible]. Coupon will be increased by [illegible] [illegible]. q) Indicated yield to put 4.12%. Note: Yields are calculated on AIBD basis.

INTERNATIONAL CAPITAL MARKETS

US MONEY AND CREDIT

Campeau sparks junk bond turmoil

HAS Robert Campeau saved American credit?

The question only sounds insane. Mr Campeau is, if anybody needs reminding, the Canadian businessmen who assembled one of the world's largest department store empires with nothing except $10bn in loans and a dream.

Last week, to the surprise of nobody except Mr Campeau, his present and former investment bankers at First Boston Corporation and the unfortunate buyers of the junk bonds, this short-lived empire began to crumble. Campeau admitted it did not have enough money to buy stock let alone meet payments due to the investment bankers and bondholders.

To keep control of the business, Mr Campeau spent last week negotiating with the only source of new capital around, Olympia & York, the Canadian real estate developer. This company, which is owned by the Reichmann family of Toronto, helped him finance his $6.6bn takeover of Federated Department Stores last year.

Late on Friday evening Campeau duly announced that it had secured a $250m loan from Olympia & York.

But this $250m, though it will fill Bloomingdale's with imitation leopard-skin skirts, will probably cost Mr Campeau control of the company. The Reichmanns, who had amassed a 25 per cent stake in Campeau up to last week, look certain to exercise ever-greater authority over the troubled business. "We're like the Allied powers in Second World War," an Olympia official was quoted as saying about Campeau last year. "When the war is over, we'll be moving in to scoop in as many pieces as we can."

For the junk bond buyers there may not be many pieces left. One of the many infuriating things about junk bonds is that it is hard to find out bid and offer prices. This obscurity allows investment bankers to draw a veil over their less sought-after issues.

But according to one dealer, the 11¾ per cent bonds of 1997 issued by Allied Stores (bought by Campeau in 1986) were trading at 32 cents on the dollar on Friday. Federated's 16s of 2000 were trading in the low 70s cents on the dollar. Whether the Campeau organisation survives, is taken over by the Reichmanns or is dismantled, it does not look as if junk bond buyers will do very well.

Last week's bother at Campeau has plunged the $200bn junk bond market into its worst crisis ever: worse than during the Boesky affair in late 1986 or when the stock market crashed in late 1987. Traders say that the market in many issues has all but dried up.

This sounds terrible but may be a blessing for the credit markets, and the US financial system as a whole. This phrase will no doubt haunt this column all the way through the Great Depression of the 1990s, but it will say it all the same: the junk bond crisis is bullish.

It is bullish on a purely mechanical level. There was strong evidence last week that junk bond investors, intrigued by the possibility of actually receiving interest and principal, were buying higher grade debt securities. On Thursday, which was the worst day for junk last week, Treasury bonds rose across the board and interest rates fell modestly.

But that is just one part of it. In the past five years junk bonds have fuelled a sharp rise in the stock market because it suddenly became possible to find lenders for a takeover of any company, anywhere, at more or less any price. The lure of high yields – even if they turned out to be optical rather than actual – also encouraged all sorts of poor business practices in the savings and loan and insurance industries. If allowed to run its course, this speculative frenzy could easily cause another crash and one that, this time, would usher in a severe business recession.

The US business expansion has only lasted this long because of what might be termed a rolling liquidation of the worst speculative excess: first in agriculture, then in energy markets and now in the leveraging of industrial and service companies. The secret is to shake out the speculators in batches not, as in the 1920s, all together.

But there is one shadow over this optimistic picture and this was cast last week not by Campeau, but by United Airlines. Up to now the banking system has remained insulated from the problems of highly leveraged companies such as Campeau. The banks are shielded from loss at these companies not so much by the stockholders' equity, which is usually minuscule, but by a fat cushion of junk bonds and, occasionally, investment bank bridge loans. Not at United Airlines.

On Thursday Citibank and Chase Manhattan announced they would lend $3bn of their own to the leveraged buy-out of United Airlines and were highly confident they could syndicate $4.2bn in other loans. Between them and loss is no subordinated debt: just $750m in cash equity from British Airways of the UK and a promise of pay concessions from the 6,000 unionised pilots.

Bankers to the deal were saying last Friday that the money was safe because the pilots were on board and had promised $250m a year for seven years in pay concessions. But the airline business is prey to uncertainties other than labour costs. These uncertainties include the general level of business activity, fuel costs, interest rates, competition, technology and accidents.

If the US commercial banks are already risking their capital on leveraged buy-outs in such volatile industries as commercial aviation, then the lesson from Campeau is not a lesson as the bankers are not listening. Last Friday's speculation that a bank was about to go under because of bad leveraged buy-out loans was just a crazy rumour. But imagine if it had been true.

Campeau chief may step down, Page 27

James Buchan

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	9.06	8.94	9.00	9.92	8.00
Three-month Treasury bills	7.76	8.01	8.18	9.03	7.15
Six-month Treasury bills	7.93	8.19	8.06	9.03	7.37
Three-month prime CDs	8.75	8.80	8.80	10.35	8.18
30-day Commercial Paper	8.80	8.90	8.70	9.95	8.05
90-day Commercial Paper	8.60	8.75	8.45	10.05	8.14

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wk. ago
Seven-year Treasury	98¼	+½	8.06	8.17	8.07
20-year Treasury	110¾	+⅛	8.17	8.20	8.20
30-year Treasury	100½	n/a	8.07	8.07	8.11

Source: Salomon Bros (estimates).

Money supply: In the week ended September 4, seasonally adjusted M1 fell $2.7bn to $774.7bn

NRI TOKYO BOND INDEX

December 1983 = 100	7/9/89	Average yield (%)	Last week	12 wks ago	26 wks ago
	PERFORMANCE INDEX				
Overall	149.97	5.71	150.24	147.43	147.53
Government Bonds	149.51	5.08	150.27	147.27	147.54
Municipal Bonds	152.39	6.31	152.21	149.44	149.81
Govt.-guaranteed Bonds	153.25	6.36	153.07	150.61	150.94
Bank Debentures	144.49	6.18	144.32	141.37	141.53
Corporate Bonds	152.79	6.41	152.60	150.37	148.83
Yen-denom. Foreign Bonds	157.03	6.06	156.79	155.34	153.23
Government 10-year†	5.14	n/a	5.05	5.19	5.00

† Estimated par yield

Source: Nomura Research Institute

EC bourses to share information

THE Federation of EC Stock Exchanges has agreed to create a shared market information service in a move towards establishing a market for top European securities, Reuter reports.

The agreement was reached during a two-day meeting of the heads of EC bourses. No timetable was set.

The project, which will provide prices and company news, follows French and UK stock exchange proposals made several months ago for an eventual screen-based market covering the top 200 to 300 European stocks.

The European bourses agreed to go ahead and prepare operating arrangements.

UK GILTS

No shake-up after economic data

LAST WEEK's clutch of economic statistics summed up the current state of the UK economy and went a long way to explaining why the market closed broadly unchanged on the week.

They also explained why the British Treasury is less than thrilled with the current conjuncture in the economy.

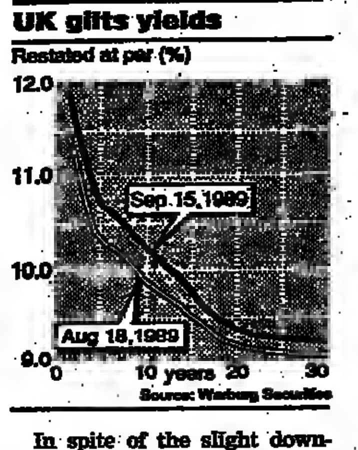
From the market's point of view the numbers cancelled each other out. Encouraging producer prices and provisional retail sales data on Monday came up against less encouraging labour market and retail price figures on Friday – not to mention heightened worries of a tightening in German and Japanese monetary policy.

In general, the economy has performed much as the Treasury thought it would, especially the housing market and the consumer (though there is a residual fear that if the monetary squeeze is loosened too early then the pent-up demand in the housing market will prove inflationary again). Growth in industrial production, although robust, is moderating as it was meant to.

If there is one key disappointment, it is that the Treasury has not got the inflation improvement it thought it would. A given level of interest rates has borne down on the real economy as planned, but they have not produced the expected decline in inflation.

UK gilts yields

Restated at par (%)



In spite of the slight downgrading of the significance of M0, the Treasury realises it will have some explaining to do about its misbehaviour. It may not be within its target range of 1 to 5 per cent growth by the end of this financial year.

Of more immediate concern is the M0 number out this week. Some analysts believe it might have risen in August by 6 per cent on the year, after allowing for seasonal variations. The official line appears to be that seasonal adjustment is poor in the summer months (as with the winter) and the rebound might reflect higher spending on back-to-school wear.

Friday's inflation numbers gave few in the City any cause to alter their forecasts. Some expect a slightly higher end-year rate (ie, above 7 per cent instead of just below it) because they have included a ½ point rise in the mortgage rate.

There can be little wonder that activity in the market is desultory. For the domestic investor there is little to play until he can become confident that the next move in domestic interest rates is down. In this context the foreign exchanges provide little comfort.

The robustness of sterling still remains a prime concern in the market. It has been sidelined in the past couple of weeks as the foreign exchange market attempts to take the dollar above DM2. A look at real interest rates over the past year provides a clue to what is needed to keep the pound around current levels.

In August, real interest rates – three-month deposits deflated by the retail/consumer price index – needed to be 2 percentage points higher than West German rates, 2.5 points higher than US rates, and 3.5 points higher than Japanese rates. Assuming no change in US and German monetary policy, it seems likely that real interest rates in those two countries will increase as inflationary pressures abate. On unchanged monetary policy in the UK, real rates might rise a half to 1 percentage point by the end of the year.

To the extent to which the forces operating are equal and opposite there is no problem. If the Bundesbank decides to tighten the interest rate screw one more time then the pound may have problems.

In May, the authorities were forced by sterling's precipitate decline to raise interest rates. The initial rationale was the support of sterling; only later did the authorities come to see that 14 per cent base rates were needed for domestic reasons as well. It is not beyond the bounds of possibility that they will face a similar test before the year is out.

● This Friday's £400m reverse auction again raises the unedifying prospect of the shrinking gilts market. Messrs Simon Briscoe and Richard Revell, of Greenwell Montagu, calculate that the market will shrink by some £20bn to £25bn this financial year.

They estimate that foreigners hold £16.8bn of gilts (of which foreign central banks hold £6.1bn) and UK insurance companies and pension funds hold £62.5bn. If foreigners do not sell, because sterling remains firm, then prices will have to rise to induce domestic investors to part with their stock. They conclude that there is virtue for the domestic investor in holding on for the price rise which they believe the Bank's buying should cause.

Simon Holberton

FT/AIBD INTERNATIONAL BOND SERVICE

[illegible]

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for Yen bonds, where it is in billions.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn=current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem=percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem=exercise premium over current share price. Bond warrant ex yld=exercise yield at current warrant price. Closing prices on SEPT 17 89

W Germany's bankruptcy laws under fire

Haig Simonian on demands for legal reform in the wake of the Co op failure

Given an empty lorry and a good road map, any of the thousands of suppliers of Co op, the troubled West German retailer which last week applied for receivership, can make their way to Frechen, a small town near Cologne.

What they will find there is another matter. For, as with the group's 10 other regional depots, while loaded trucks can roll in, access for those wanting to take out their – as yet unpaid – goods is strictly *verboten*.

The list of suppliers trying to reclaim their stock has accelerated since Co op, Germany's sixth biggest retailer, announced on Wednesday that its 124 unsecured creditor banks had failed to agree to a last-minute restructuring package, forcing it into receivership.

With a frantic round of bankers' meetings, culminating in an urgent session on Sunday afternoon, taking place in the past 48 hours, the number of irate suppliers will rocket should Co op's creditors fail to reach a solution allowing the withdrawal of its receivership application.

For, as the picture at Frechen shows, tales of bounced cheques and demands for cash on delivery, which have snowballed as companies throughout Germany pore over their books to ascertain their Co op exposure, have again thrown light on the anomalies in Germany's current insolvency laws.

Quite why Co op, or its lead bankers, frittered away so much of the vital three weeks allowed to companies under German rules to restore their finances once a shortfall has been discovered remains one of the key questions in its saga, temporarily eclipsing how the group got into such a mess in the first place.

What is already clear is that the six "pool" banks co-ordinating its finances, and especially Swiss Bank Corporation, Amro, Security Pacific and Svenska Handelsbanken, the four foreign institutions which now own some 72 per cent of its shares, are no longer working together harmoniously.

The creditor banks' lack of enthusiasm is understandable. Only in February had they accepted a DM1.95bn ($1.02bn) rescheduling package, and matters have clearly not improved since.

But the longer it takes the banks to plug the additional DM750m of overindebtedness Co op discovered when it produced preliminary comprehensive accounts last month, the greater the chances are that the group, which is currently being administered by a temporary court-appointed receiver, will tip over the edge into Germany's biggest-ever bankruptcy.


Hans Friderichs: has made some harsh comment

The company still hopes that enough banks will be persuaded to accept DG Bank's plan to write off 75 per cent of their unsecured loans in return for the remainder in cash at the end of this month. But, as matters at Co op's depots have dramatically shown, the patience of its suppliers and landlords is being increasingly strained.

The landlords are particularly important in the case of Co op's rented property. Their contracts enable them to give the company immediate notice in the case of receivership. With Co op's wealthier rivals already offering fancy prices to take over its best sites, the temptation to evict is growing harder to resist.

Mr Hans Friderichs, the former German Economics Minister and chief executive of Dresdner Bank who, since December, has chaired Co op's supervisory board, had some harsh words to say about the German bankruptcy rules last week.

The law "was supposed to have been reformed years ago," he said. For unlike Chapter 11 in the US, which gives a company in difficulties time to restore its finances, the German system, supposedly designed to protect creditors, has just the opposite effect by completely tying a company's hands.

But even the cool Mr Friderichs has come under fire in the latest round of Co op's troubles. Although widely praised for his calmness at first, some say his stress on consensus is inappropriate now Co op has its back to the wall.

For even if Sunday's talks resolve the crisis, each passing day thereafter turns it increasingly into a break-up candidate. Mr Friderichs himself admitted as much when he said that every interested party "who got in touch and was serious was received."

Yet their interest proves that, once restored financially, Co op could form a potentially attractive part in the realignment taking place in European retailing, especially after this month's creation of a wide-ranging alliance between a number of European groups.

Co op's food production activities have already been sold to DG Bank and Bank für Gemeinwirtschaft. While its 1,858 urban supermarkets only have a limited appeal in view of their smallish average size of just 606 sq m, its relatively large number of bigger units is another matter.

Interest is likely to focus on the 47 Plaza hyperstores, with an average size of almost 7,000 sq m, as well as its 78-odd do-it-yourself outlets, which average about 1,800 sq m each.

German zoning laws now make it virtually impossible to open new greenfield sites, meaning that such outlets carry a strong rarity value. However, all the Plaza sites are rented, putting their future in some doubt.

Siemens buys top carriage maker

By Andrew Fisher in Frankfurt

SIEMENS, the West German electrical and electronics concern, is to strengthen its position in the rail transport sector by agreeing to buy control of Düwag, one of the country's leading train carriage and chassis manufacturers.

Düwag has a turnover of about DM300m ($150m) a year and employs 2,200 people.

Siemens said the deal was aimed at widening the type of equipment it would be able to supply to railway authorities, which increasingly want to deal with only one supplier.

Both companies already co-operate on domestic and foreign contracts and have worked jointly on urban railway projects in Canada and the US. Düwag is also a big supplier to Inter City Express (ICE), the high-speed network of German Federal Railways (Deutsche Bundesbahn).

Siemens declined to give a price for its majority stake in Düwag, which it said was in profit. The deal is dependent on the approval of the Federal Cartel Office in Berlin. Siemens will purchase the holding from Waggonfabrik Talbot, a family-owned company which has more than 75 per cent of Düwag's shares and which will retain a minority interest.

Last year Siemens posted a turnover of nearly DM1bn from its transport technology activities, which will be made into a separate division from the start of the next financial year on October 1.

The group said it intended to build up its business in the supply of electrical equipment for railways.

Mr Kurt Capellmann, head of Waggonfabrik Talbot, said other companies had also wanted to buy Düwag. But Siemens offered the best prospects for Düwag's further growth and job security.

Siemens' aim of building up its rail activities come as other leading German companies have been manoeuvring to increase their standing in the transport sector. AEG, the electrical and electronics subsidiary of Daimler-Benz, has just won a DM160m contract.

Campeau chief may be forced to step down

By David Owen in Toronto

IT LOOKS increasingly as though Mr Robert Campeau, the impulsive French-Canadian property developer, is poised to relinquish control of his hastily assembled North American retailing empire.

Bankers are expected this week to accept conditions attached to a proposed $250m convertible secured loan to Campeau Corporation from the Reichmann brothers' Olympia & York Developments (O&Y).

The loan, which is desperately needed to address liquidity requirements at Campeau's Allied Stores and Federated Department Stores units, would raise the Reichmanns' fully diluted stake in the company to at least 35 per cent.

Campeau admitted last week that "certain elements of the agreement in principle with O&Y might be deemed to constitute a change in control of Campeau Corporation." If the loan proceeds, the Campeau family's interest in the company would fall below the 50 per cent threshold.

At this stage it is not even clear whether the beadstrong Mr Campeau would have a role to play in a "senior executive management group" which will take charge of refinancing and restructuring the highly leveraged company.

The group will report directly to a so-called "committee" of the Campeau Corporation board "including representatives of minority shareholders." The restructuring will include the sale of the illustrious Bloomingdale's department store chain, for which three interested bidders have emerged already.

Delays in securing the necessary clearances for the $250m loan meant that Allied was unable on Friday to pay interest of about $45m on an issue of senior subordinated debentures.

Allied said that the indenture relating to the securities permitted a 30-day grace period. No other Allied debt would be in default as a result of failure to pay such interest during that period, the company added.

Liffe members apply to use screens for trading

By Katharine Campbell

ABOUT a quarter of Liffe members have committed themselves to the first stage of screen-based trading on the London futures market.

Automated Pit Trading, the system which the exchange has been developing over the last two years, aims to replicate the ecology of the trading floor, initially for limited after-hours business.

About 50 members, responsible between them for roughly two-thirds of the market's total business, have agreed to rent terminals, said Mr Michael Jenkins, Liffe's chief executive.

The initial subscription is £15,000, with an additional £900 per month rental, through which the exchange effectively recoups its development costs.

While Liffe has not been overwhelmed by applications, there is a comfortable quota with which to start, and further applications are expected. Mr Jenkins agreed a commitment at this stage was something of "an act of faith."

The London market has spent on APT only a fraction of the money lavished on new systems by some US exchanges. The initial costs are high, putting a premium on a reasonable turnover at the start. Unlike with Globex, the joint venture between the Chicago Mercantile Exchange and Reuters, members do not pay a per-contract levy.

The exchange has so far refused to set an official start date, although it is understood it hopes to begin between mid- and late-November if training and simulation sessions go according to plan.

Ferruzzi names new trade chief

By George Graham in Paris

FERRUZZI, the Italian foods group, has named a new head for its trading operations and reorganised its grain and bean trading to tie in more closely with its agricultural processing activities.

Ferruzzi said that Mr Romano Venturi would take over as head of the group's trading operations. It confirmed that three senior managers had resigned from its French division as a result of disagreements over the new strategy.

Mr Venturi is to act in close liaison with Mr Renato Picco, head of Ferruzzi's agri-industry subsidiary, Eridania, and with Mr David Swanson, head of Central Soya, the US soya bean processor bought in 1987.

Koor acts on loss-making unit

By Hugh Carnegy in Jerusalem

KOOR Industries, Israel's biggest industrial group which is battling against large debts and losses, plans to treat its Tadiran subsidiary as a property for sale in its half-year results due this month.

The move, aimed at reducing the impact on the group of the unit's heavy losses, is apparently prompted by worries about Koor's debt/equity ratio. It will have the effect of removing Tadiran's estimated first-half loss of $75m from Koor's profit and loss account. Tadiran will be consolidated in the group accounts on an equity basis.

Koor officials say this will result in a reduction of the group's equity by an amount equivalent to the Tadiran loss. But, crucially, the effect on the group's debt will be much greater – they say the total Koor debt of $1.25bn will be reduced by about $400m, the amount of the Tadiran debt.

Koor, a trade union-owned conglomerate struggling to keep its head above water after fending off a liquidation suit brought against it by Bankers Trust of New York last year, announced last month that it planned to sell off Tadiran, which accounts for more than a third of group turnover of $2.5bn.

The key question is how Koor creditors will react. Koor has been especially concerned not to exceed a debt/equity ratio of 3:1, above which some $100m of bonds issued by Koor in the US could be called in.

Koor is also not entirely clear of the liquidation threat. A rescheduling agreement was reached in June with Bankers Trust, other foreign creditors and Israeli banks under which the court winding-up application was removed. But continued concern about the financial condition of Koor has delayed the signing of final documents on the agreement.

The foreign creditors, led by Manufacturers Hanover, have blamed the Israeli banks for the delay. It is understood that the delay is caused by growing anxiety on the part of the four big Israeli banks, which carry most of the Koor debt, that the "first out" concession to foreign creditors in the June agreement leaves them unacceptably exposed.

Israeli bankers deny they want a renegotiation of the June accord, but they say they may seek an adjustment.

Nestlé agrees to sell Beech-Nut

By James Buchan in New York

RALSTON Purina, the US food manufacturer, is buying the scandal-plagued Beech-Nut baby food company from Nestlé of Switzerland. The terms of the deal were not revealed but Wall Street believes that Ralston is paying less than $100m.

Ralston, which makes breakfast cereal and cakes and is the world's largest maker of pet food, signed on Friday a letter of intent to buy Beech-Nut from Nestlé Enterprises, a US subsidiary of the Swiss company.

Beech-Nut, based in suburban Philadelphia, has sales of about $150m from juice, cereal and processed food for babies and is the second largest baby-food company after Gerber Products.

UK COMPANY NEWS

Asda set to buy 61 Gateway superstores

By Philip Coggan

ASDA, the supermarkets group, is expected to announce agreement today on the terms for the purchase of 61 superstores from Isosceles, the consortium especially formed to purchase retail group Gateway.

The sum being paid – £705m – is the same as was agreed by the two parties before Isosceles launched its bid for Gateway last April.

However, Asda is receiving one less superstore than was originally agreed but will gain a larger proportion of freeholds and some peripheral property development opportunities.

The bulk of the financing for the deal will come from existing bank facilities but Asda is also expected to announce today a £150m convertible bond, which will be placed in the UK, and will have conversion rights over between 5 and 10 per cent of the group's equity.

Morgan Stanley, the US bank which has been advising Asda, is considering with the group a financial package which will exploit Asda's freehold base.

Mr John Hardman, Asda's chairman, wants the benefits of any package to flow to shareholders so a sale and leaseback plan can be ruled out. Asda says that on current projections its gearing ratio will fall to around 50 per cent by April 1990.

Asda will send a circular to shareholders about the purchase in the week beginning September 25. The deal will catapult Asda from fifth to third in the UK food retailing league and will enable the Isosceles group to pay off a substantial proportion of the debt it incurred in financing the £2bn plus bid for Gateway.

Platignum misses forecast and falls into the red at £2.9m

By Christopher Parkes, Consumer Industries Editor

THE NEW management at Platignum, the pens, furniture and housewares group, announced pre-tax losses of £2.9m for the 14 months ended March 31, compared with profits of £301,000 for the previous 12 months.

The new team which took control a week before the end of the period covered, said in a statement that it was clear a £174,000 profit forecast indicated for the period under review was founded on information which had proved to be materially incorrect.

On turnover of £28.3m the company reported an operating loss of £267,000 compared with an operating profit of £716,000 on sales of £23.7m. Interest charges totalled £598,000. After tax and extraordinary items, the loss mounted to £4.92m.

The accounts reflected more prudent accounting and a realistic view of the company's assets, Platignum said. Reorganisation had brought costs of £1.15m for stock rationalisation, £515,000 against bad debts and credit notes, and £285,000 for the write-down of fixed assets.

Mr Stephen Quinn, managing director, said the company was now trading profitably. Plans were in hand for the disposal of tool making and injection moulding businesses. The company also intended to sell Ouvah Highfields, a property company which rents office suites on London's south bank.

Mr Quinn, formerly with Debenhams stores group and the Stanley Gibbons stamp company, took charge after three private furniture companies controlled by Mr Stanley Cohen were reversed into the struggling pen company in March.

Mr Cohen, a self-styled company doctor, turned round the USM-listed Betterware housewares business and was involved in the 1987 management buy-in of Schreiber furniture which was sold to the MFI retailing group in 1988 for £40m. He is also closely connected with MK Trafford, which recently took over Manchester United Football Club.

ADT builds up 4.9% ASH stake

By Philip Coggan

AUTOMATED SECURITY (Holdings), the electronic security company, said yesterday that it had discovered a 4.9 per cent stake in its equity held by ADT, the security and car auctions group chaired by Mr Michael Ashcroft.

The holding was revealed after ASH issued a number of Section 212 notices relating to nominee accounts. Earlier this month, ADT raised £272m via a two-part share issue but did not reveal any specific plans to spend the proceeds. ASH has a current market capitalisation of around £260m.

ASH said that the share buying by ADT appeared to have started in August. ADT could not be reached for comment yesterday.

High interest takes Thurgar into losses

By John Thornhill

Sharply higher interest charges tilted Thurgar Bardex, the Kettering-based manufacturer of plastic windows and doors, into a £167,000 loss during the half year to June 30, compared with a £852,000 pre-tax profit last time.

Operating profits fell heavily to £614,000 (£1.09m) because of increasing pressure on margins in depressed markets, and losses at Fios Group, the Scottish window company, which was acquired in June 1988.

Interest charges increased to £781,000 (£234,000), but the company said it was now actively pursuing measures to reduce its gearing levels.

Turnover rose to £21.55m (£15.14m), although most of this increase was attributed to the inclusion of Fios.

The interim dividend was unchanged at 0.85p. But losses per share worked out at (0.8p), compared with previous earnings of 2.66p.

Mr Peter Johnson, finance director, said the company would perform better in the second half and expected to end the year in profit.

Paul Murphy

Havelock Europe, the shopfitting group which saw pre-tax profits plummet to £52,000 in 1988-89, has won its first contract for a financial services client, TSB Group, in an important diversification away from the retail sector, writes Clay Harris. Mr Hew Balfour, above, was brought in as chief executive last month by Mr Lewis Robertson, the "company doctor" who was appointed chairman in May.

The initial contract to provide banking hall fittings for TSB branches in England and Wales is worth £1.3m, equal to nearly 3 per cent of Havelock's turnover in 1988-89. It will probably constitute a larger proportion in the current year because Havelock is being more selective about the orders it takes on, Mr Balfour said. The diversification is important not only in lessening dependence on one sector but also because it provides work during the slack autumn months for retail orders. Havelock is also tendering for hospital and laboratory contracts.

Mr Balfour, formerly managing director of Erskine House's office equipment division, has re-organised the group's management structure, introducing three "profit centres" at Inchannan and Dalgety Bay in Scotland and at Nottingham. Each will be responsible for its own tendering. The change led last week to the resignation of Mr Gordon Ash as group sales director, a position that will no longer exist.

Tiphook and Stena lawsuit against SeaCon's Sherwood

By Philip Coggan

THE TWO companies bidding for Sea Containers, the Bermuda-registered ferry and container group, have issued a lawsuit against Mr James Sherwood about allegedly misleading statements to the press designad to boost SeaCon's share price.

Mr Sherwood has indicated that he has received offers allowing him to pay a cash dividend of around $50 per share as part of a recapitalisation plan to defeat the bid.

Tiphook, the UK container rental group and Stena, the Swedish ferry operator have lodged the lawsuit in a Washington court.

Mr Sherwood said yesterday that he had been travelling and added "I haven't seen anything and I don't know anything about it".

Last week, SeaCon's share price fell below the $63 a share offer from Tiphook and Stena for the first time, to close at $59¾ on Friday. The fall in price reflected problems in the junk bond industry and fears among US arbitrageurs that Mr Sherwood might not be able to put together a recapitalisation plan.

Food Inds withdraws bid for Premier Co-Op

FOOD Industries, the Irish agribusiness company controlled by Mr Larry Goodman, has withdrawn a I£43.3m bid for Premier Tir Laighean Co-Op, Dublin's main milk supplier.

A higher I£46.5m offer has been made by the Irish Waterford Co-Op group and Express Dairies, a subsidiary of Grand Metropolitan, the UK food and drink conglomerate.

Food Industries decided that making a higher counter-offer "would not be in the best interests of its own shareholders and considera that its existing offer is unlikely to be successful against the higher consortium bid".

Dinkie Heel profits doubled in first half

Dinkie Heel almost doubled pre-tax profits from £120,000 to £238,000 in the six months to June 30. Turnover was more than doubled at £3.95m (£1.79m). Tax took more at £79,000 (£42,000), leaving earnings up at 1.35p (0.83p) per 5p share. The interim dividend is lifted 0.1p to 0.35p.

Arley near trebled at £904,000

Arley Holdings came close to trebling its profits in the first half of 1989. Taxable profits leaped from £318,000 to £904,000 on sales increased 51 per cent to £9.44m (£6.27m).

Earnings rose to 5.6p (4p) and the interim dividend is lifted to 1.4p (1.1p), more than the 1.3p forecast.

London Utd at £2.65m

AFTER THE adverse effects of currency movements and a large increase in group borrowings, taxable profits of London United Investments, the insurance holding company, amounted to £2.65m for the half-year ended June 30 1989.

This compared with £4.17m last time and £5.46m for the whole of 1988.

The directors said it was unlikely that they would consider recommending any dividend for the current year.

Turnover for the six months expanded from £63.28m to £111.77m, and included premium income of £68.9m (£38.9m), commissions of £9.6m (£6.6m) and investment income of £28.2m, compared with £12.8m.

Lincoln back in black

LINCOLN House, the wallcovering maker and caster of sculpture formerly known as William Morris Fine Arts, returned to the black in the first half of 1989.

This USM-quoted company made pre-tax profits of £105,000 in tha period, against losses of £579,000 last time. This was achieved on turnover increased 41 per cent to £9.46m (£6.71m).

Tax took £35,000 (nil), leavings earnings at 0.07p (losses 0.96p) per 5p share.

Pembridge backer

Pembridge Investments, the group which is considering a cash offer for DRG, the UK paper and packaging group, said yesterday that Mr Frederick Field, was one of its backers.

Mr Field, whose family once owned the Marshall Field retailing chain, is also backing the Hoylake consortium bidding for BAT Industries, the tobacco-to-insurance conglomerate.

FT Share Service

The following securities were added to the Share Information Service in Saturday's edition:

Ambassador Security Grp. (Section: Industrials)Sphere Inv. Tst. Zero Div. Prf. (Trusts)

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends.

TODAY

Interims- BHH Group, Bourne End Properties, Bridgend, Colorgraphic, Computer People, Dean & Bowes, EIS, Ex-Lands, Goal Petroleum, Hamilton Oil, Inchcape, Morgan Crucible, Mowlem (J), Steetley, Tern, Tharsis, Trinity International, UCL, United Friendly Insurance.

Finals- CALA, Dalgety, Green (Ernest), Mucklow (A S J).

FUTURE DATES

Interims-

Abbey National	Sep. 25
Alexandra Workwear	Oct. 10
Amer Group	Oct. 23
Bluebird Toys	Sep. 26
Clarkson (Horace)	Sep. 28
Dencora	Sep. 26
Evered	Sep. 27
Headland Group	Oct. 2
LGW	Sep. 20
London & Metropolitan	Sep. 26
Mayflower	Sep. 26
Metalrax	Sep. 20
PML	Sep. 22
RFK	Sep. 20
Sherwood Group	Sep. 29
Spear (JW)	Sep. 22
Finals-	
Cramphorn	Oct. 4
FII Group	Sep. 20
IFICO	Sep. 26
Irish Glass	Sep. 20

FINANCIAL TIMES STOCK INDICES

	Sep 15	Sep 14	Sep 13	Sep 12	Sep 11	Sep 8	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs.	85.88	85.94	86.08	86.04	86.08	86.08	89.29	83.75	127.4	49.18
Fixed Interest	96.64	96.61	96.65	96.73	96.70	96.91	99.59	95.21	105.4	50.53
Ordinary	1949.7	1965.8	1980.1	1980.6	1981.6	2003.7	2008.6	1447.8	2008.6	49.4
Gold Mines	207.1	204.6	205.4	205.9	205.3	204.9	207.1	154.7	734.7	43.5
FT-Act All Share	1200.32	1207.32	1215.71	1214.44	1215.97	1225.79	1225.80	921.22	1238.57	61.92
FT-SE 100	2386.5	2382.0	2401.5	2397.6	2400.6	2423.9	2426.0	1782.8	2443.4	986.9

LEGAL COLUMN

A bitter pill that trade unions must learn to swallow

By Elaine Aarons

IT HAS been a busy summer for industrial relations, with attention focused particularly sharply on the striking railwaymen and the dockers' success in the House of Lords.

However, over the last couple of years a subtle development in employment law has taken place which has dealt a further blow to the trade unions and has almost gone unnoticed.

It is a well known principle that employers need not pay striking employees.

In April, however, a case brought against the London Borough of Tower Hamlets in the Court of Appeal demonstrated how the chances of employees' being paid have been limited when they are involved in lesser forms of industrial action, such as go-slows, working to rule, or conducting an overtime ban.

Mr Wiluszynski worked for the council as an estates officer. One of his duties was to answer one or two inquiries a week from council members. In furtherance of a trade dispute with the council, the trade union (Nalgo) resolved to boycott all inquiries from council members.

The council warned each employee involved that "if you do not . . . undertake your full range of duties, you will be held to be in breach of your contract of employment. You will only be paid your salary if you continue to work normally . . ."

Mr Wiluszynski confirmed that he would not answer members inquiries. The council stopped paying him and told him that he would not be required to work until he was prepared to work normally.

In spite of that, he continued working normally, save for the fact that he did not answer members' inquiries. He claimed that since he was substantially performing his contract he was entitled to be paid.

However, the council won in the Court of Appeal on the basis that, in order to be paid, an employee has to show that he is ready and willing to discharge his contractual obligations.

The decision followed a test case in the House of Lords in 1987 which received very little press comment. There, a superintendent registrar of births, marriages and deaths (Mr Miles), who was also a member of Nalgo, was involved in industrial action.

The action taken in that case was the refusal to perform marriage ceremonies on Saturdays.

The employers made it absolutely clear that they were not prepared to accept incomplete performance of the employee's duties on Saturday mornings and in those circumstances the House of Lords ruled that the employers were entitled to withhold pay.

However, there is a difference in the facts between the two cases.

In the case concerning the registrar, the employers only deducted pay for the three hours worked on the Saturday morning and paid him for the rest of the week. In the Tower Hamlets case, Mr Wiluszynski was not paid at all.

In yet another case last year, an application for an injunction to prevent employers from withholding pay in similar circumstances was unsuccessful.

The employees of the London Borough of Lambeth were refusing to work with a new computer and the employers threatened to withhold pay. Since the employees could not show that they were able and willing to perform their full obligations under their contracts of employment, the injunction was not granted.

After the House of Lords decision in 1987, Lord Wedderburn commented: "It is rather unsatisfactory that case law should offer no better guidance to workers who have committed a partial breach of their contract . . . and wish to recover wages stopped by an employer that he may be obliged to pay them in full, or nothing, or a fraction, as appears just to the judge whom they happened to be allotted."

The Wiluszynski case has made it quite clear that there is no uncertainty in cases where employees partly perform their contracts and the employers instruct them that they must work fully or they will not be paid. The pendulum has swung firmly in the employers' favour and any claim by the employees to salary will fail.

The application of the law of contract to these situations is complex.

On the one hand, there is the principle that where one party is in breach of contract (in this case the employee) the other party (the employer) has the choice either to affirm the contract, so that it continues in force, or alternatively to treat the contract as at an end. Whatever choice he makes, he would have a claim for damages against the employee.

There are three other contractual principles that could be of relevance: the right to "set-off," a *"quantum meruit"* claim and the right to an abatement.

A set-off would arise where the employer claims that a deduction should be made from the wages representing the damages suffered by the employer as a result of tha employee not working fully.

The *quantum meruit* claim arises where the employer has not paid the employee anything, but the employee claims that the work he did was of benefit to the employer for which he should receive some payment equal to its value.

The right to an abatement, which is a principle more commonly applied in contracts for the supply of goods and services, recognises that a deduction could be made from the sums payable under the contract (ie, the wages) to represent the fact that it has only been partly performed.

Those time-honoured principles were not applied in the cases referred to above.

They adopted a more robust approach which at the moment is peculiar to employment law. That is that the relationship of employer and employee is interdependent. If the employer withholds wages, the employee need not work. If the employee refuses to work, the employer need not pay wages.

The Court of Appeal would not countenance the *quantum meruit* argument that was raised on behalf of Mr Wiluszynski.

The position is, therefore, clear. Provided the employer makes it clear and unambiguous that he will refuse to pay any wages for so long as the employees are not prepared to fulfil their duties and that if they do perform their duties they will do so voluntarily, if the employees continue working, the employer can derive the benefit but not pay the employees.

It is, however, essential that the conduct of the employers does not infer an acceptance of part performance of the employment obligation if they are to be entitled to withhold pay.

It should be emphasised that the principle established by the Miles and Wiluszynski cases will not generally have any application except in circumstances where there is a trade dispute.

If an employer stopped paying wages to an employee as a disciplinary measure, unless expressly entitled to do so under the contract of employment or pursuant to statute, or the employee otherwise signified his agreement in writing to such non-payment, a claim could be made by the employee to the Industrial Tribunal under the Wages Act 1986.

The result of these decisions is that the weapons in the trade unions' armoury have been further eroded.

They are exposed to the possibility that whatever industrial action their members vote to participate in, they run the risk of not being paid at all. There is no halfway house.

There will be no appeal to the House of Lords by Mr Wiluszynski and accordingly, pending a further test case or legislation, this is a bitter pill the trade unions will simply have to swallow.

The author is a solicitor in the law firm of Norton Rose.

LAW SOCIETIES ADMISSIONS
15th SEPTEMBER, 1989

[illegible]

LEGAL APPOINTMENTS

APPOINTMENTS

Ringtons production director

■ Mr Colin J. Smith has been promoted to production director at RINGTONS, the tea merchants. He will be responsible for the company's production factory in Newcastle Upon Tyne.

Mr Douglas N. Smith, formerly sales manager, becomes operations director.

■ LEVITT GROUP, the pensions and financial services conglomerate, has appointed Mr Richard Severn to the main board of Levitt Group (Holdings) and as managing director of Levitt Group (Financial Services).

Mr Severn has spent two years with National Mutual of Australasia (top direct salesman in 1973); 11 years with Manufacturers Life, rising to assistant general manager; and most recently was regional operations director for Abbey Life.

■ W. H. SMITH announced two senior appointments for its fast growing office supplies division.

Mr Bill Rowe, 45, currently buying and marketing manager at W. H. Smith News, becomes managing director of Sandhurst Marketing, and Mr Philip Gulley, 47, takes over as Pentagon's managing director, both with effect from September 25.

Mr Donald Kerr, presently Pentagon managing director, will assume overall responsibility for both companies.

Cityvision financial director for board

■ Mr Richard Prime has joined the board of CITYVISION, where he will have overall responsibility for finance and accounting. Mr Prime joined the group in 1988 as financial director of its Ritz Video Film Hire subsidiary.

COMPANY NOTICES

Ford

Following the DIVIDEND DECLARATION by the Company on 13 July 1989 NOTICE is now given that the following DISTRIBUTION will become payable on or after 18 September 1989.

Gross Distribution per unit	3.75 cents
Less 15% USA Withholding Tax	0.56 cents
	3.19 cents
Converted at $1.55	£0.02056448

Claims should be lodged with the DEPOSITARY: National Westminster Bank PLC, Stock Office Services, Second Floor, 20 Old Broad Street, London, EC2, on special obtainable from that Office.

United Kingdom Banks and Members of the Stock Exchange should mark payment of the dividend in the appropriate square on the reverse of the certificate.

All other claimants must complete the special form and present this at the above address together with the certificate(s) for marking by this National Westminster Bank PLC. Postal applications cannot be accepted.

DATE: 18 September 1989

ANGLO GROUP PLC

(Registered in England – No. 2102279)

Extraordinary Resolution of the holders of 9½% Convertible Unsecured Bonds due 1999

Notice is hereby given that at a meeting of the holders of 9½% Convertible Unsecured Bonds due 1999 of Anglo Group Plc held on 31st August 1989 the resolution of which notice was given by publication in the Financial Times on 9th August 1989 was passed as an Extraordinary Resolution in accordance with the provisions contained in the Fourth Schedule to the Trust Deed dated 16th June 1989 constituting the 9½% Convertible Unsecured Bonds due 1999.

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDR'S) IN

SHARP CORPORATION

NOTICE IS HEREBY GIVEN that a cash dividend will paid to shareholders of record date September 30, 1989. Furthermore, it has been declared that the shares will be traded ex-dividend on the Japanese Stock Exchanges with effect from September 26, 1989.

Subject to approval of the dividend, a further notice will be published, after receipt of the dividend by the Depository, stating the amount and actual date of payment of such dividend together with the procedure to be followed for obtaining payment.

Coupon No. 18 will be used for collection of this dividend.

CITIBANK, N.A., London.
September 18, 1989 Depositary.

U.S. $100,000,000
BBL (Cayman) Limited
(Incorporated as a limited liability company in the Cayman Islands)
Guaranteed Floating Rate Notes Due 2000
Unconditionally guaranteed by
Bangkok Bank Limited
(Incorporated with limited liability in the Kingdom of Thailand)

Notice is hereby given that the interest payable on the relevant Interest Payment Date, October 16, 1989 for the period April 14, 1989 to October 16, 1989 against Coupon No. 9 in respect of US$10,000 nominal of the Notes will be US$481.48.

September 18, 1989, London
By: Citibank, N.A. (CSSI Dept.), Agent Bank CITIBANK

Christiania Bank og Kreditkasse
(Incorporated in the Kingdom of Norway with limited liability)
U.S.$100,000,000
Bull Floating Rate Notes Due 1991

Notice is hereby given that the Rate of Interest has been fixed at 8.13869% and that the interest payable on the relevant Interest Payment Date March 19, 1990 against Coupon No. 8 in respect of US$10,000 nominal of the Notes will be US$411.46 and in respect of US$250,000 nominal Notes will be US$10,286.40.

September 18, 1989, London
By: Citibank, N.A. (CSSI Dept.), Agent Bank CITIBANK

RENTALS

CANADIAN PACIFIC LIMITED

At a meeting of the Board of Directors held today, a quarterly dividend of twenty-three cents (23c) Canadian per share on the outstanding Ordinary Shares was declared, payable on October 30, 1989, to holders of record at the close of business on September 27, 1989.

BY ORDER OF THE BOARD,

D.J. DEEGAN
VICE-PRESIDENT AND SECRETARY
MONTREAL, SEPTEMBER 11, 1989

CONTRACTS & TENDERS

WESTERN HEALTH AND SOCIAL SERVICES BOARD NORTHERN IRELAND TENDERS FOR LAUNDRY AND LINEN RENTAL SERVICES

Tenders are invited for the provision of Laundry and Linen Rental Services within the Western Health and Social Services Board's Omagh and Fermanagh Units of Management.

Applications are invited from established and competent Contractors for inclusion on a Select List of those who may be invited to tender.

The Contract will be based on a detailed specification of user requirements which demand the highest standards of performance given the special needs of the Service.

Commercial Contractors will be offered the opportunity of leasing the Board's existing laundry facilities in accordance with established N.H.S. guidelines.

The Form of Application for inclusion on the Select List together with an Information Pack are available on written request to:-

THE AREA SUPPLIES OFFICER
WESTERN HEALTH AND SOCIAL SERVICES BOARD
AREA BOARD HEADQUARTERS
15 GRANSHA PARK
CLOONEY ROAD
LONDONDERRY BT47 1TG

THE COMPLETED APPLICATION FORM WITH RELEVANT ACCOMPANYING DOCUMENTS SHOULD BE RETURNED SO AS TO BE RECEIVED BY THE AREA SUPPLIES OFFICER, NOT LATER THAN 2.00 P.M. ON TUESDAY 31ST OCTOBER 1989.

RENTALS

SW1 Excel mod apt in central location. Air cond recep/diner, ff kit, 2 dble, bath, ens shwr, balcony, parking avail. £450 pw. COOTES 01 828 8251

DIARY DATES

FINANCIAL

TODAY

COMPANY MEETINGS-
Electron House, Howard Hotel, Temple Place, Strand, W.C., 12.00
Harmony Leisure, Old Thameside Inn, Clink Street, Southwark, S.E., 10.00
Manvier-Swain, Whately Hall Hotel, Banbury, Oxon, 3.00
Real Time Control, Eton House, Eton Way, Watford, 12.00
Stockdale Hldgs., Rea Brothers Bankers, 1, Aldermans Walk, E.C., 10.00

BOARD MEETINGS-
Finals;
CALA
Dalgety
Dreen (Ernest)
Muddow (A.&J.)
Interims;
BHH Grp.
Bourne End Props.
Bridgend
Colorgraphic
Computer People
Dean & Bowes
ESS
Ex-Lands
Goal Petroleum
Hamilton Oil
Inchcape
Morgan Crucible
Mowlem (J.)
Steetley
Tern
Tharsis
Trinity Int.
UCL
Utd. Friendly Invs.

DIVIDEND & INTEREST PAYMENTS-
AMS Inds. 0.5p
Bangkok Invs. Ptg. Rd. Pt. Baht18
Christiania Bank OG Kreditkasse Fltg. Rate Nts. 1990 $700.73
Do. Bull Fltg. Rate Nts. 1991 $383.31
Creighton Labs. 4p
Ferranti Int. Signal 1.7p
Leeds Permanent Bldg. Society Fltg. Rate Nts. 1996 £271.62
Neepsend 0.5p
Oil & Natural Gas Commission Gtd. Fltg. Rate Nts. 1995 $555.42
Prism Leisure 3p
Ransom (Wm.) 1.04p
Reuters Hldgs. 3.8p
Southend Property Hldgs. 2p
Stanley Leisure 2.75p
Stockdale Hldgs. 12p
Svensk Exportkredit Fltg. Rate Nts. 1992 $552.19
Texaco $3

TOMORROW

COMPANY MEETINGS-
British Bloodstock Agency, Queensbury House, 129, High Street, Newmarket, 12.00
FKB Grp., Hospitality Centre, Chelsea Harbour, S.W., 12.00
Sock Shop Int., 7, Devonshire Square, E.C., 9.00

BOARD MEETINGS-
Finals;
Everest Foods
GT Venture Inv.
Gabicci
Marlevale Moore
Really Useful
Renown Inc.
Interims;
Beauford
Bemrose
Bowthorpe
Canning (W.)
Clinton Cards
Clyde Petroleum
Crests
Davis (Godfrey)
Executex Clothes
Garton Eng.
Glasgow Inc. Tst.
Hewitt (J.)
Iceland Frozen Foods
Joyce Grp.
PCT
River & Mercantile Am. Tst.
Silentnight
Try Grp.
Wassall

DIVIDEND & INTEREST PAYMENTS-
Christiania Bank OG Kreditkasse Reverse Fltg. Rate Nts. 1997 $705.15
Clarke Hooper 2.46p
Eve Grp. 5p
London Securities 1p
Ransomes 5½% Cm. Pf. 1.925p
TACE 3.25p
Treasury 11½% 2001/04 5¾pc.

WEDNESDAY SEPTEMBER 20

COMPANY MEETINGS-
Aerospace Engineering, Blunsdon House Hotel, Blunsdon, Swindon, 12.15
ASDA Grp., Pudsey Civic Hall, Dawsons Corner, Pudsey, Leeds, 2.30
Booth Inds., Worsley Court House, Worsley, Manchester, 11.30
Courts (Furnishers), Barber-Surgeons Hall, Monkwell Square, E.C., 12.00
Gibbon Lyons Grp., 30b, Wimpole Street, W., 12.00
Oceonics Grp., Chartered Insurance Institute, 20, Aldermanbury, E.C., 12.00

BOARD MEETINGS-
Finals;
Barratt Devs.
Irish Glass
Minorco
Zambia Copper
Interims;
Bentalls
Britannia Grp.
Connell
Estates & General
Fairhaven Int.
Fitch-RS
Folkes
Hampden Homecare
Hornby Grp.
Jones & Shipman
LGW
Mayflower Corp.
Pittard Garnar
RFK Grp.
Silkolene Lubricants
Sovereign Oil & Gas
Spirax Sarco
Spring Ram
Stag Furniture
Sun Life Assurance
Taverners
Wilton Grp.
Worcester

DIVIDEND & INTEREST PAYMENTS-
Bank fur Arbeit und Wirtschaft Sub. Fltg. Rate Nts. 1990 $552.64
Barlo Grp. 0.125p
Booth Inds. 1.8p
Commonwealth Bank of Australia 9¼% Nts. 1993 4⅝pc.
Enron Corp. 62cts.
Exchequer 10½% 2005 5¼pc.
Korea Exchange Bank Fltg. Rate Nts. 1995 £180.38
M & G American & Gen. 1.3p
M & G Int. Growth 7p
Marine Midland Banks Fltg. Rate Sub. Nts. 2009 $245.97
Midland Bank Und. Fltg. Rate Prim. Cap. Nts. (Sept.1985) $552.64
News Int. Gtd. Fltg. Rate Nts. 1991 $247.57
Riggs National Fltg. Rate Sub. Nts. 1996 $247.57
Standard Chartered Und. Prim. Cap. Fltg. Rate Nts. £179.59

THURSDAY SEPTEMBER 21

COMPANY MEETINGS-
CH Industrials, Howard Hotel, Temple Place, Strand, W.C., 12.30
Colefax & Fowler, Merchant Taylors Hall, 30, Threadneedle Street, E.C., 11.00
Kenyon Securities, Great Western Royal Hotel, Praed Street, W., 5.30
Specialeyes, Honourable Artillery Company, Armoury House, City Road, E.C., 12.00
Tomkins, Hyatt Carlton Tower Hotel, Cadogan Place, S.W., 11.30

BOARD MEETINGS-
Finals;
Dowding & Mills
Elders IXL
Logica
SWP
Westpool Inv. Tst.
Interims;
APV
Antofagasta
Bilston & Battersea Enamels
Boustead
Brent Walker
Coats Viyella
Great Southern
Highcroft Inv. Tst.
Johnston Press
Kwik-Fit
Laporte
Morrison (Wm.)
RMC
Sindall (Wm.)
T & S Stores
Yule Catto

DIVIDEND & INTEREST PAYMENTS-
CH Inds. 3.825p
Citicorp Fltg. Rate Sub. Cap. Nts. 19/9/96 $242.78
Impala Platinum 175cts.
Independent Inv. 0.25p
Leumi Int. Invs. Gtd. Fltg. Rate Nts. 1988 $54.94
Lone Star Inds. 47.5cts.
Marine Midland Bank Fltg. Rate Sub. Cap. Nts. 1996 $244.38
Pfizer 55cts.

FRIDAY SEPTEMBER 22

COMPANY MEETINGS-
Baker Harris Saunders, Saddlers' Hall, 40, Gutter Lane, E.C., 12.00
Crown Eyeglass, Moat House Hotel, Preston New Road, Blackburn, 2.30
Markheath Securities, The Westbury, Conduit Street, W., 11.00
Tinsley (Eliza), Patrick Motor Museum & Conference Centre, 180, Lifford Lane, Kings Norton, Birmingham, 11.30
Unitech, Howard Hotel, Temple Place, Strand, W.C., 12.00

BOARD MEETINGS-
Interims;
Breedon
Filofax
Guidehouse Grp.
Liberty
Macallan-Glenlivet
Oliver Grp.
PML Grp.
Polypipe
Spear (J.W.)

DIVIDEND & INTEREST PAYMENTS-
Abbey Panels Invs. 1.5p
American Int. Grp. 12cts.
BHH Grp. 8% Bds. 1996 4pc.
Bank Leumi (UK) 4.5p
Black & Decker 10cts.
Blue Arrow 0.6p
Evode Grp. 1.62p
Exchequer 12½% 1990 6¼pc.
Exchequer 13½% 1992 6¾pc.
Farepak 1.575p
Harmony Leisure 0.168p
Holders Technology 2p
North Midland Construction 2p
Planning Research & Systems 2.5p
Porter Chadburn 1.2p
Torex Hire 0.8p

SATURDAY SEPTEMBER 23

DIVIDEND & INTEREST PAYMENTS-
Essex Water 3.5% New 1.75p
Do. 3.5% Cons. 1.75p
European Inv. Bank 11% Ln. 2002 5½pc.

SUNDAY SEPTEMBER 24

DIVIDEND & INTEREST PAYMENTS-
Asian Development Bank 10¼% Ln. 2009 5⅛pc.
Greenall Whitley 10% Db. 2014 5pc.
Int. Bank for Recovery & Dev. 9½% Ln. 2010 4¾pc.
Sidlaw Grp. 7½% Un. Ln. 2003/08 3¾pc.
Spain (Kingdom of) 11¾% Ln. 2010 5⅞pc.
Treasury 2½% I.L. 2001 £1.7725

Trade fairs and exhibitions: UK

Current
Antiques Fair (until September 23) (04447 2514)
Chelsea Old Town Hall

September 15-23
International Boat Show (0703 737311)
Southampton

September 17-18
DIY Trade Show (01-302 8585)
Earls Court

September 17-19
Gallery 89 - Framing and Fine Art Market (01-855 9201)
Olympia 2, London

September 18-22
International Handling & Storage Exhibition (0895 58431)
NEC, Birmingham

September 18-19
International High Definition Television Exhibition – HDTV (01-931 9985)
Tara Hotel, London

September 19-22
International Helicopter Technology & Operations Exhibition (01-549 5831)
Redhill Aerodrome

September 25-28
International Police Exhibition & Conference (01-446 8311)
Barbican, London

September 26-27
Independent Power Generation Conference and Exhibition - INPOWER (0737 768611)
Heathrow Park Hotel

September 26-28
Datacom 89 (01 404 4844)
Business Design Centre, London

Sept 27-Oct 1
Personal Computer Show (01-486 1951)
Earls Court, London

September 29-October 1
National Franchise Exhibition (01-727 1929)
NEC, Birmingham

October 3-5
Transport and Distribution Services Show and Conference (01-868 4466)
Wembley Exhibition and Conference Centre

October 24-26
Omnec: The fibre optics users exhibition and conference (0223 242946)
Barbican Exhibition Hall, London

Overseas exhibitions

Current
International Fisheries Industry Exhibition (until September 17) (01-948 9900)
Nantes

International Motor Show – IAA (until September 24) (01-734 0543)
Frankfurt

International Hardware Show - QUOJEM (until September 20) (01-225 5566)
Paris

Sept 25-Oct 1
International Technical Fair (01-636 5219)
Plovdiv

Oct 2-6
International Robotics, CAD/CAM, Automation Engineering Exhibition - PRODUCTIQUE (01-225 5566)
Paris

October 9-14
International Fair for Instrumentation and Aotomation - INTERKAMA (01-794 0166)
Dusseldorf

Business and management conferences

September 20
Fibex: Doing business in Spain (01-837 1133)
Le Meridien Hotel, London

September 21
CBI Conferences: City investor relations (01-379 7400)
Centre Point, London

September 21
Business International: What the 90s will mean for international business (01-493 6711)
Hyde Park Hotel, London

September 21-22
Institute for International Research: Cost control and profitability in retailing (01-434 1017)
Park Lane Hotel, London

September 22
The Bow Group: The European defence industry and 1992 (0483 740730)
Chiswell Street, London

September 22
Battelle Institute: Strategic management of technology (01-493 0184) RAF Club, London

September 24-26
Victory Reinsurance Co: European life marketing and actuarial conference (01-481 1200)
Queen Elizabeth II Centre

September 25-26
IBC Financial Focus: The changing pattern of business (01-637 4383)
Regent Crest Hotel, London

September 25
International Business Communications: UK Secnrities Settlement and the implications of TAURUS
Inn on the Park, London

September 26
The Economist: People mean profits in the '90s - why and how the human side of business is a critical source of competitite advantage (01-839 7000)
Hyde Park Hotel, London

September 26
International Business Communications: Internatiooal securities settlement (01-236 4080)
Inn on the Park, Loodon

September 27
CBI Confarences: Production efficiency (01-379 7400)
Centre Point, Loodon

September 28-29
Acquisitions Monthly (01-823 8740)
London Hilton Hotel

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there have been no changes to the details published

FINANCIAL TIMES CONFERENCES

RETAIL FINANCIAL SERVICES
London, 2 & 3 October, 1989

After a two year interval this conference is being held again in London and the agenda is remarkably full. The impact of the Single European Market on the retail financial services industry will be the principal theme of the opening day and the outlook in the United Kingdom, where the competition is increasing every day, provides the focus of the second day. Among the speakers are: James Larkin, American Express Europe Ltd; Silvio Mailtius, Bundeskartellamt; Charles Winter, The Royal Bank of Scotland Group plc; Don McCrickard, TSB Bank plc; Gunther Schmidt-Weyland, DG Bank; Dr Peter Troberg, Commission of the European Communities; Seymour Fortescue, Barclays Bank plc and Peter Sutherland, Chairman Designate of Allied Irish Banks plc.

EUROPE AND THE NORDIC COUNTRIES
Stockholm, 9 & 10 October, 1989

How Efta and the European Community will develop their relationship is a subject of vital concern to businesses in the Nordic Efta countries and it will be one of the principal themes of the FT Stockholm Conference in October. Kjell-Olof Feldt, Kalevi Sorsa, Johan Gahr Store and Thorsteinn Olefsson will give Nordic government views on this question and Niels Helveg Petersen will add a Danish viewpoint.

The Nordic business community includes many companies which have already developed sophisticated approaches to the Single European Market and these will be addressed by Gerhard Heiberg, Kai Hammerich, Harald Norvik, Bo Remfors, John Quitter, Anders Ljungh and Paavo Rantanen of Nokia.

BUSINESS WITH SPAIN: STRATEGIES FOR 1992 & BEYOND
Madrid, 6 & 7 November, 1989

With the continuing international interest in Spain, the Financial Times is arranging this Autumn its fourth Business with Spain Forum. To be organised in association with Expansion, the conference will focus on the economic outlook for Spain and Europe and then go on to assess a number of major issues of interest to the banking and international business community. Speakers include: Mr Peter Lilley, Financial Secretary to the Treasury; Claudio Aranzadi Martinez, Spanish Minister of Industry & Energy; Luis Carlos Croissier Batista, Comision Nacional del Mercado de Valores; Sir Martin Jacomb, Barclays de Zoete Wedd; Manuel Guasch Molins, Ebro; François Henrot, Compagnie Bancaire; Emilio Botin Rios, Banco Santander and Mario Conde, Banesto.

WORLD SHIPPING IN THE 90s
Amsterdam, 14 & 15 November, 1989

The FT proposes to stage a major conference to coincide with the Europort 89 Exhibition. After the difficulties of the past few years, the hopes and signs are for a recovery in the world shipping industry. The aim of this conference is to examine current trends and look at the industry's prospects and opportunities for the long term. Speakers taking part include: Henk Rootliep, Royal Nedlloyd Group; Hans Jakob Kruse, Hapag-Lloyd; Erik Toenseth, Kvaerner Industrier; Jeremy Smith, Liberian Shipowners Council; Ernest Fong, Marine Navigation Co and Hiroshi Takahashi, NYK Line.

All enquiries should be addressed to:
Financial Times Conference Organisation,
126 Jermyn Street, London SW1Y 4UJ
Tel: (01-925 2323 (24-hour answering service)
Telex: 27347 FT CONF G. Fax: 01-925 2125

FINANCIAL TIMES SURVEY

A diversified local economy and a high proportion of small, independent businesses have helped Leicestershire survive the painful blows to its traditional industries, such as textiles. Yet, as Richard Tomkins reports, there is no room for complacency

Expanding the frontiers

"LEICESTERSHIRE is a county that's undersold itself," says Mr Tommy Thompson, the county council's director of planning and transportation. "Here we are, right at the centre of the country, and yet nobody knows much about us," he remarks.

Mr Thompson is probably right. Think of Leicestershire and what images spring to mind? A large Stilton cheese? A succulent Melton Mowbray pork pie? The Quorn hunt in full cry over the wooded slopes?

None of these images is wildly inaccurate: Leicestershire still has the feel of a predominantly rural county in which food, farming and village life play an important part. But that is only part of the story.

Perhaps the more surprising aspect of Leicestershire is that it contains one of the UK's highest concentrations of manufacturing industry. No less than 40 per cent of the county's workforce is employed in manufacturing, compared with 34 per cent for the East Midlands and just 25 per cent for the UK as a whole.

Insofar as the county is known at all for this manufacturing activity, it is usually for its textiles industry. Well over 1,000 clothing and footwear manufacturers are clustered around Leicester itself, and to a lesser extent around Coalville and Loughborough.

Ranging in size from sweatshops in the backstreets to giants such as Corah and Courtaulds, these companies turn out knitted goods, hosiery, and finished goods such as T-shirts, as well as shoes. Between them they employ 51,000 people — just over 36 per cent of the county's manufacturing workforce.

Other industries closely associated with Leicestershire are mining, agriculture and mechanical engineering. In the engineering sector, the machine tool industry in particular has a long history in the county and still plays a prominent role in the local economy.

Yet the presence of these industries begs another question about Leicestershire. If textiles manufacturing is under intense competitive pressure from imports, and most of the county's coal mines have closed, and agricultural employment is in long-term decline, and the machine tool industry is a fraction of its former size, why is Leicestershire's unemployment rate, at 4.9 per cent, among the lowest in the country?

Tony Andrews

The village of Oakham in Leicestershire: one of the most popular and attractive in the county

Leicestershire

Leicestershire's traditional industries have, indeed, suffered. Job losses in textiles and footwear are a painfully frequent occurrence: only last month Eatoughs, a shoemaker employing 530 people in Earl Shilton and Coalville, called in the receiver.

The run-down of the Leicestershire coalfield, meanwhile, has seen the loss of at least 4,500 jobs since the beginning of the decade. Agricultural employment fell by an estimated 2,000 jobs to less than 8,000 jobs in the nine years to 1987. And the machine tool industry is no stranger to closures such as last year's demise of the Ex-Cell-O plant in Leicester, with the loss of 250 jobs.

But a number of factors have combined to prevent Leicestershire falling victim to the debilitating levels of unemployment still lingering in some of Britain's heavily industrialised areas.

One is that, for all the county's dependence on textiles, its economy is relatively diversified compared with that of, say, the West Midlands. So while traditional industries have been shedding workers, newer ones such as printing and publishing, or rubber and plastics, have been quietly expanding.

The food and drink industry, for example, now among the county's largest employers with a payroll of 13,400, is estimated to have taken on 3,000 workers between 1982 and 1987.

Another reason is that the county's economy is characterised by an unusually high proportion of small, independent businesses — thanks in no small part to the efforts of enterprising Asians whose community accounts for a quarter of Leicester city's population.

Of the estimated 4,000 manufacturing businesses in Leicestershire, some 80 per cent employ less than 50 people, and all but 17 per cent are independently owned. Mr David Wilson, Leicester director of 3i, the venture capital organisation, says this makes for a culture which is in marked contrast with that of north-east England, where he was previously based.

Leicester, although the biggest city in the East Midlands, has failed to establish itself as the region's commercial centre

"It's the difference between an employee and an employer culture," he says. "In Newcastle upon Tyne, when somebody lost their job, it was always a case of 'Where can I get another?' rather than trying to do something for themselves. The attitude in Leicestershire is far more entrepreneurial."

There is, however, no room for complacency over Leicestershire's low unemployment level. There are warning signals in the county's economy that cannot be ignored.

Looked at positively, Leicestershire's unusually heavy orientation towards manufacturing illustrates the resilience of the county's industrial base. But on the negative side, it is also an indication of Leicestershire's lack of success in building up a strong service sector.

This matters because the continuing drive to improve productivity is causing manufacturing industry everywhere to shed jobs. In Leicestershire, productivity in terms of output per employee is already badly lagging the UK average. The disturbing implication is that its manufacturers face a choice between accelerating the pace of job losses now, or eventually going into decline.

Elsewhere in Britain, it is the service sector that has picked up the running from manufacturing industry in terms of supplying employment. Service sector growth in Leicestershire, however, has been relatively sluggish.

Leicester, although the biggest city in the East Midlands, has failed to establish itself as the region's commercial centre against competition from Nottingham and, to a lesser extent, Derby. Too often, the big office projects and retail schemes have gone to its neighbours.

It would be wrong, though, to overdo the gloom. The service sector *is* growing in Leicestershire, and there are signs that the pace is accelerating, particularly following the removal of two obstacles to the city's development.

One of these was the excessive amount of speculative office development that took place in Leicester during the 1960s. This left it with an overhang of empty, poor-quality and out-of-date property that depressed rental values and discouraged further building.

Suddenly, however, there are signs of life in the office market. For the first time since 1974, there are substantial developments under way albeit grant-aided — with Peat House going up in the city centre's East Street and Royal Insurance building a regional headquarters close by.

Another obstacle to development in Leicester had been the uncertainty caused by a long-standing application to develop a large out-of-town shopping centre near junction 21 of the M1.

The Environment Secretary's refusal of this application last year opened the way for other retail developments to take place in Leicester's latterly uninspiring city centre — notably, a £100m scheme called The Shires and the £300m Leicester Centre.

Elsewhere in the county, Leicestershire's central location and good communications are attracting investment. Distribution is emerging as a significant sector, most obviously with the vast and aptly-named Magna Park complex springing up near the M1 at Lutterworth.

Business and industry are also following the motorway, with the high-quality Meridian Business Park at the junction of the M1 and M69 soon to be followed by the nearby Grove Park development, an office and light industrial park which will include a hotel and conference centre.

One respect in which Leicestershire is particularly heavily blessed is higher education. This county has three of the East Midlands' five universities and polytechnics — Leicester University, Loughborough University and Leicester Polytechnic — and each is an acknowledged centre of excellence in its specialist field.

Other positive indicators, meanwhile, include the decision by Toyota to build its European car assembly plant near to Leicestershire's north-western boundary; a string of proposals to build new villages of 1,000 to 3,000 dwellings in the Leicestershire countryside; the planned re-opening of passenger services on the railway line linking Leicester with Burton-upon-Trent in Staffordshire; and the long-term trend among businesses in the south-east to move out along the motorways stretching to the north.

Mr Bob Anderson, regional director of the Department of Trade and Industry in the East Midlands, points out that if Leicestershire seems to be developing but slowly, change there is necessarily a piecemeal affair.

With a population of 960,000, it is not, after all, a big county:

Several factors have helped to prevent the county falling victim to the debilitating levels of unemployment found elsewhere

"It's fine to talk about development in Leicestershire, but it has to be done on a careful and selective basis," he says.

"The number of people registered unemployed in Leicestershire is less than 20,000, so you simply can't expect to move large blocks of industry in and then find the workforce there to do the job."

For too long, perhaps, Leicestershire has been a county with a reputation for being inward-looking and independent. Today, it is opening its frontiers, but with just a hint of nervousness over the experiment. It is coming out of its shell, but slowly.

CONTENTS

Falling demand is causing the textile industry problems, writes **Alice Rawsthorn**

Tough times for the knitwear sector

FOUR hundred years ago an obscure Nottinghamshire cleric, the Rev William Lee, made e discovery that ushered in a new era of prosperity not only for Nottinghamshire, but for the neighbouring county of Leicestershire too.

The Rev Lee invented tbe knitting frame, a simple mechanical device to make the socks and stockings his parishbioners had been knitting by hand. Its invention laid tbe foundations for today's international knitting industry and turned the East Midlands into one of the chief textile production centres of the UK.

This year is the 400tb anniversary of the invention of the knitting frame. The Leicestershire and Nottinghamshire textile companies are marking the anniversary with a series of celebrstory eveots. But the celebrations will be somewhat hollow: the anniversary coincides with a troubled time for the UK knitting industry.

In the past 18 months the textile companies – whicb provide one of the largest single sources of employment in Leicestershire – hsve been plunged into inteosely competitive trading cooditions. The knitting industry has beeo hit by everything from increasing imports, to unfavourable fashions and inclement weather.

As a result tbe Leicestershire textile companies have suffered severe pressure on output and profitability. Dozens of companies in the county have been forced to close and thousands of workers have lost their jobs. No area of the industry has emerged unscathed from the crisis. The companies forced into receivership have ranged from the small sweatshops on the back streets of Leicester to Genetic, ooce one of the most dynamic of the city's ethnic enterprises, which had a workforce of several hundred.

Coats Viyella and Courtaulds, the international textile groups, have been forced to rationalise their activities. The problems of Corah, one of the Leicestershire industry, became so grave that it fell victim to e takeover by Charterhall, the Australian investment group, late last year. A few weeks ago Charterhall agreed terms to bid for Textured Jersey, another significant player in the knitting sector witb plants in Corby and Leicester. Tbe integration of Corah's knitted fabric interests with those of Textured Jersey seems certain to cause more redundancies.

In the past 18 months the industry has faced problem after problem. Perhaps the biggest of all has been the rise in imports fuelled by the strength of sterling against the US dollar and the Far Eastern currencies linked to it

Luckily for the redundant textile workers, the local economy has been sufficiently buoyant for many of them to have found new jobs in other emerging industries. But the crisis in textiles is still dealing devastating damage to one of Leicestershire's most traditional industries.

Leicestershire is one of the main centres of textile production in the UK. The local textile companies are chiefly concerned with the manufacture of knitted fabrics and finished garments such as T-shirts, track suits and socks. A significant number of the UK's 70,000 or so knitting workers are employed in the county.

Hitherto the Leicestsrshire companies had been sheltered from the troubles of the rest of the tsxtile industry. In the early 1970s they were shielded from the increase in oil prices by the expansion of man-made fibres into new product sectors. In the economic recession of the early 1980s, they were protected by the boom in track suits and leisurewear.

But in the past 18 months the Leicestershire industry has struggled against problem after problem. As Mr John Harrison, director of the Knitting Industries Federation, says, the industry has experienced "its toughest period in modern times."

Perhaps the biggest problem of all has been the apparently inexorable increase in imports fuelled by the strength of sterling against the US dollar and the Far Eastern currencies linked to it.

All in all, the influx of knitting imports increased by 22 per cent in 1987 and by 12 per cent to £1.3bn in 1988. For two snccessive years the import qnotas, negotiatsd under the terms of tbe Multi-Fibre Arrangement, have been fully utilised.

Bnt some sectors of the Leicestershire industry have suffered even more than others. Hosiery manufacturers, for example, have faced a flood of cheap imported socks from Turkey and Indonesia. The influx of Turkish socks doubled to almost 14m pairs last year. The influx of Indonesian socks quadrupled to nearly 11m pairs.

This sudden surge of imports has eroded the market share of the Leicestershire sock companies. At the same time the low price of the Turkish and Indonesian socks – which come into the country at 23p and 25p a pair respectively, in other words for less than the cost of raw materials to the East Midlands manufacturers – has imposed pressure on profitability.

Similarly the T-shirt producers, which are predominantly small companies, have been hit by a stream of imports from China. The Chinese T-shirts are being sold for an average price of 76p each, compared with an ex-factory price of £1 for the Leicestershire products.

Increasing imports are one problem, but many areas of the Leicestershire industry have also been beset by a dramatic downturn in demand.

Some sectors, such as knitwear, have been depressed by the swing in fashion towards the slick, tailored look. Others, like hosiery, have been affected by the combination of an unusually mild winter and the long, hot summer. Every area of the industry has suffered from the instability of the retail sector where key customers such as Next, which is based in Leicester, have encountered difficulties.

This downturn in demand has exaggerated the impact of the increase in imports. The Leicestershire companies have been left to struggle for a smaller share of a shrinking market.

Overall the UK knitting industry suffered a fall in output, in real terms, to £1.6bn last year and 10,000 knitting workers, many of them from Leicestershire, have lost their jobs since last summer.

In the short term the knitting companies can only hope that the recent fall in the value of the pound against the dollar will alleviate the pressure from imports and that the new "ethnic" look will revive demand for chunky knitwear.

But the Leicestershire companies must also assess how their present problems will affect future patterns of investment in an industry which – even before the current crisis – was far less efficient than many of its European competitors.

Tony Andrews

Asians are a big force in Leicester's textile industry. But poor trading has left many casualties, including Genetic, once one of the city's largest ethnic enterprises

PROFILE: Charterhall

Aggressive predator on the trail of the industry's 'dogs'

THE shark-infested waters of the Australian financial community once seemed a world away from the knitting factories of Leicestershire's traditional textile industry.

Yet in the last year or so Mr Russell Goward, one of the youngest and most aggressive of the new breed of Australian financiers, has emerged as a powerful – if somewhat improbable – player in the traditional world of Leicestershire textiles.

At the end of last year Mr Goward took over Corah – which has dominated the local industry for decades from its colossal manufacturing complex in the centre of the Leicester – for £27m through Charterhall, the company that controls his UK interests. A few weeks ago he augmented his interests by buying Textured Jersey, which has factories in Leicester and at nearby Corby in Northamptonshire, for £7m.

At first glance it seems strange for a professional investor to choose textiles, particularly in its present parlous state, as an area for investment. But Mr Goward is quite, quite clear as to the rationale for his choice.

"The textile industry is a dog," he said from Charterhall's headquarters near Victoria Station in London. "And dogs are the only kind of industries I am interested in."

Since Mr Goward first surfaced in the UK three years ago he has become embroiled with a pack of "dogs". His tactic is to scout about for classically undervalued companies; generally those that have fallen on troubled times in unattractive sectors. He then builds up a stake in the company and – providing he can persuade the board to agree – mounts a bid.

Mr Goward is quiet clear as to the rationale for his choice. 'The textile industry is a dog. And dogs are the only industries I am interested in'

Some boards have agreed. Others have not. Mr Goward has emerged with a motley assortment of stakes and significant interests in two sectors: footwear retailing and textiles. Almost all his textile interests are in Leicestershire.

Mr Goward began with Corah, one of the bastions of the local industry. Corah was once a lynchpin of East Midlands textiles but in recent years it has floundered. Its troubles began in the mid-1980s when it struggled to get to grips with an ill-fated acquisition and then suffered a strike at one of its main factories.

By 1987 Corah had lurched into losses. It was then that Mr John Foulkes was drafted in, from a subsidiary of Hanson, as chief executive with a brief to steer the business back to recovery.

Mr Foulkes implemanted a painful programme of restructuring. By the end of last year, when Mr Goward arrived, Corah had already shed more than 1,000 employees from an original workforce of 5,000. It had also withdrawn from knitwear and sold its socks business to Courtaulds.

Mr Goward is full of praise for Mr Foulkes' strategy. "He did everything we would have decided to do ourselves," he said. He admits that Mr Foulkes' departure two months ago – to join the Magnet Do-It-Yourself group – was "a blow". However, he says that the new management team will continue to implement the same strategy. It is an indication of the extent of the rationalisation that Corah now employs about 2,400 people, less than half its workforce two years ago.

The chief challenge for Charterhall in the coming months will be to integrate Corah's interests with those of Textured Jersey. Until recently Textured Jersey, with a workforce of 390, was considered to be one of the industry's successes. But in the past year it has suffered – like so many other textile companies – from depressed demand and increasing imports.

Charterhall is now assessing the prospects for integrating the knitting activities of the two companies. At first glance the activities of the two companies appear complementary: Textured Jersey concentrates on making fabrics for leisurewear and Corah on fabrics for underwear. But there are significant areas of overlap in manufacturing and the integration is almost certain to be accompanied by job losses and capacity cuts.

Leicester will probably bear the brunt of the cutbacks. Both companies have knitting operations in Corby, but most of the businesses are in Leicester where their dye-houses and finishing plants are located.

It is critical for Charterhall to prove that it can succeed in integrating the two companies. At first glance the sheer speed of Mr Goward's deals and the andacity of his ambition seems impressive. But the City of London has seemed anything but impressed by him.

So far the City has been reluctant to see Mr Goward as anything other than yet another of the Antipodean adventurers who have wheeled and dealed their way on to the London stock market. A succession of well-publicised problems – from Mr Foulkes' departure to a legal case against Great Universal Stores to try to recoup part of the purchase price for the Lennards shoe chain – has seemed to confirm its suspicions.

Charterhall's share price has languished and will continue to do so until Mr Goward can prove he has the management mettle to run businesses, as well as to buy them. He insists that he is "not just another deal maker", hut the City is still waiting to be convinced.

In the meantime he has set his sights on yet more deals in textiles. The industry's present problems only make him even more optimistic about clinching another deal. "When times are tough, prices come down," he said. "There are lots of dog companies around."

Alice Rawsthorn

KEY FACTS

DEMOGRAPHIC	
District population (1989)	278,600 (LA estimate)
District population change 1981-89	-1.6%
Catchment population (commuting area)	543,117
Catchment population change (1981-88)	-1.7%
Leicestershire (1989)	960,000
Age structure (1981)*	
0-4	6.7% (6.0%)
5-15	16.3% (16.3%)
16-24	16.1% (14.1%)
25-44	24.8% (26.3%)
45-pensionable age	19.0% (19.7%)
Over pensionable age	17.1% (17.7%)
SOCIO-ECONOMIC*	
Car ownership (1981)	
Households with no car	47.7% (39.5%)
Households with one car	42.3% (45.1%)
Households with two cars plus	10.0% (15.5%)
Cars per household	0.64 (0.78)
Household tenure (1981)	
Owner occupied	55.0% (55.7%)
Rented from council or new town	31.9% (31.2%)
Private rented	9.1% (8.6%)
Other	3.8% (4.2%)
ECONOMY*	
Unemployment (travel-to-work area)	
Apr 89	4.9% (7.4%)
May 88	6.8% (9.8%)
Employment by sector (1984)	
Manufacturing industries	40.2% (25.6%)
High-tech industries	10.7% (14.6%)
Primary industries	2.5% (4.6%)
Construction	3.5% (4.9%)
Distribution, hotels & catering	16.4% (20.1%)
Retail distribution	9.7% (9.7%)
Transport & communication	4.5% (6.4%)
Banking, finance & business services	6.3% (9.5%)
Other services	24.6% (28.9%)
PROPERTY*	
Residential	
Averege house price (1988 mean)	£50,200 (£59,200)
Regional average house price	£44,100
Commercial	
Rate in the £	
1988/89	273.50
1989/90	295.20
Guide to prime rents	
Offices	Apr 89: £9.75 psf (Sep 86: £3.50 psf)
Retail	Apr 89: £105 psf (May 87: £70 psf)
Industrial	Apr 89: £3.20 psf (Sep 86: £2.00 psf)
COMMUNICATIONS	
Road	About 99 miles from London
Rail	Fastest journey time to London 1hr 15 min
Air	East Midlands Airport

Great Britain average in parenthesis

Source: Property Intelligence Ltd (Tel 01-839 7684)

MACHINE TOOLS SECTOR

Cut down to size

LEICESTER is now one of the most important centres in the UK's much shrunken but currently profitable machine tool industry.

Bridgeport, the largest producer of machine tools in the UK has its British headquarters and largest production plant in the city.

Jones & Shipman, housed in a straggling factory complex once leased by Lockheed from the then Ministry of Aircraft Production, is also one of the largest producers.

Frederick Pollard, a family owned manufacturer of drills and special purpose machines, Wyvern, which makes vertical turning lathes and Moss Machine Tools, a competitor of Pollard's, all produce machines in the city.

However, Leicester has not escaped some of the shrinkage and upheavals that have afflicted chunks of the machine tool sector.

In the past few years, the Ex-Cell-O group, a manufacturer of transfer machinery for car and aerospace plants has been been the subject of a buy-out from its US owners by managers of its West German division. In the process the group's Leicester plant was shut down.

Wadkin, which until recently made machining centres in Leicester was taken over by DeVlieg of the US and its production subsequently moved to Lutterworth.

Nevertheless, the production of machine tools in Leicester is probably higher measured in cash sales than in any other UK city. It also has a healthy, if small subsidiary equipment sector.

Marwins, for example, which is part of United Industries, makes cutting and milling tools. It was once part of a group which actually made complete machine tools in Leicester but that operation was closed in the early 1970s.

Machine tool suppliers are happy with operating in Leicester, stressing, in particular, the excellent access to the country's motorway structure. However, obtaining skilled labour is a growing problem.

The history of machine tool making in the city stretches back to the turn of the century and many of Leicester's machine tool companies actually came from the same root.

Back in 1898, Fred Shipman started a machine tool company and, over the following three years, was joined by Frederick Pollard and A A Jones. By 1905, Jones, Pollard and Shipman was the name of a single business.

In 1911, Pollard left to set up his own business, Frederick Pollard, and the company he left was renamed Jones & Shipman.

Meanwhile, one of Jones & Shipman's leading managers, Mr Adcock left the company to help form Adcock and Shipley, another machine tool business which subsequently became Bridgeport.

Bridgeport has US owners following a management buy-out two years ago from its then North American parent, Textron. The company in the UK has sales of about £60m, based on production from its clean, up to date plant in Leicester and another facility in Bridlington, North Yorkshire. Total UK employment is 850.

The company manufactures non-computer controlled milling machines, together with computer controlled horizontal and vertical machining centres and milling machines.

Some of the larger machines it makes were designed by Yasuda of Japan but Bridgeport uses European, and largely British components, except for some of the controls. A small element of Bridgeport's turnover comes from selling equipment made by Japan's Sodick.

Bridgeport is in the midst of an excellent trading period, despite competition at the lower end of the market from Taiwanese producers.

Two years ago it was producing 18 CNC machining centres a month at Leicester; today output is running at 70 a month. From castings to final machine completion takes just 14 days.

Bridgeport's machines range in price from about £6,000 to £125,000. The Bridgeport group, which includes production facilities in the US and Singapore, claims 55 per cent of western world sales of standard turret milling machines.

Jones & Shipman had a difficult time during the recession of the early 1980s and the period immediately after that and has been fighting its way back since then. Sales last year at just over £21m were about the same as in 1980.

The company, which moved to its present site in 1946, makes grinding and honing machines as well as small tools. It is one of the few remaining machine tool companies which retain a stock market listing.

Some of its specialist machines are sold to leading manufacturers such as Lucas, British Aerospace and Rolls-Royce. It sells 60 per cent of its grinding equipment overseas, a sign of the greater export orientation of the British machine tool industry. Bridgeport exports about 75 per cent of its output.

Jones & Shipman, which was very slow into computer controlled machines but has been extending its range of such equipment from about 1985, manufactures machines selling typically from £10,000 to £120,000.

It has an order though from Austin Rover for a six-spindle honing machine for conrods which will cost the purchaser close to £400,000.

Jones & Shipman concedes that it has lost market share over the past two years in low cost grinding machines to Taiwanese makers. Visitors to its small technical centre within its factory, though, are shown new ranges of more sophisticated equipment which are being introduced to the market.

The chairman of Frederick Pollard is Mr Raymond Pollard, eldest grandson of the founder. The company employs just under 200 and had sales last year of £12m.

Most of this derives from manufacturing Pollard's own-designed equipment. A substantial element also comes from selling machines made by Mori Seiki of Japan.

Pollard has been quoting to make a special purpose machine that will cost about £800,000. However, it does not manufacture the really large transfer line machines for car and aerospace factories which Ex-Cell-O used to make in Leicester.

Mr Pollard describes the state of business for the company at the moment as very satisfying.

Nick Garnett

Robert Waterhouse on the end of a coal-mining era

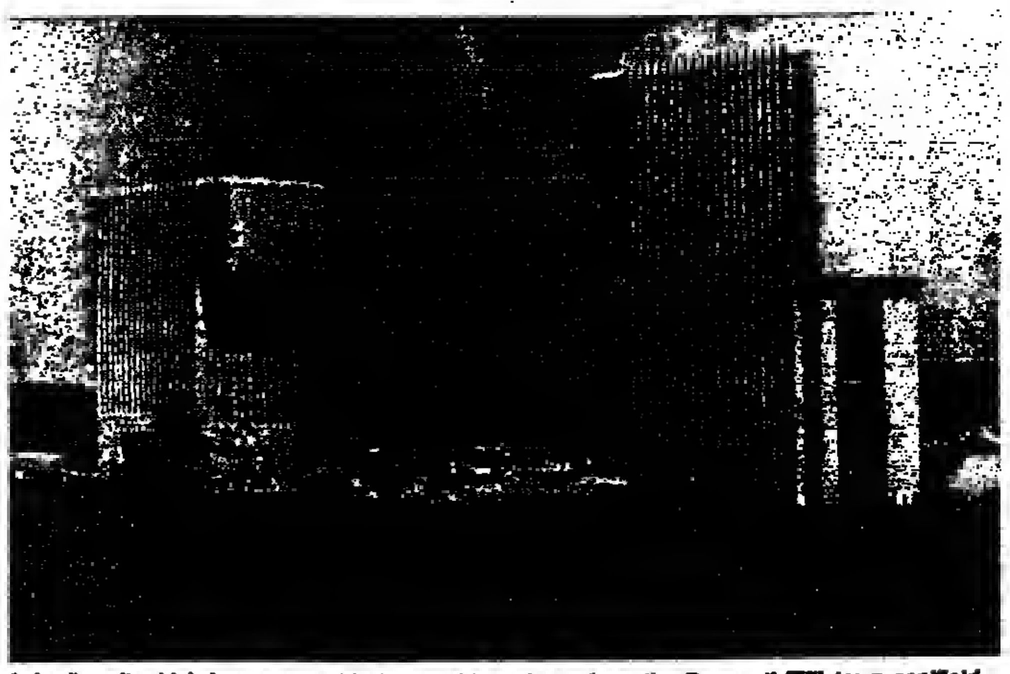
The last rites for a profitable pit

WITHIN 18 months or so the Bagworth/Ellistown coalfield in Leicestershire, the last surviving colliery in the geologically isolated Leicestershire area, is to cease production. Closure will mark the end of a phased programme undertaken since the early 1980s and a mining era begun at Whitwick in 1820.

Mr Tony Deakin, British Coal's Central Area director, says that he expects Bagworth/Ellistown to be profitable to the death. In recent months it has broken records as one of the area's "big-hitters", or collieries producing more than 1m tonnes of saleable coal a year. During June miners there, working modern retreat-face methods, averaged 7.87 tonnes per man-shift compared with the improving national figure of 4.69 tonnes.

But go it will, because workable seams are apparently nearing exhaustion. The 1,000 miners, who belong both to the National Union of Mineworkers and the Union of Democratic Mineworkers, are being offered redundancy packages or the chance to move on to the new Asfordby superpit. Asfordby, near Melton Mowbray, is geographically in Leicestershire but operationally part of the Nottinghamshire area.

This autumn more than 100 Leicestershire miners are expected to make the switch to Asfordby, where they join others from South Derbyshire on preparatory work to cut a roadway from the shaft bottom to mine coal. They will, by definition, be UDM members, since British Coal has negotiated a six-day week deal for Asfordby with the UDM, which is the recognised union in Nottinghamshire. But the UDM remains lukewarm about Asfordby's prospects.



Asfordby pit which has attracted Leicestershire miners from the Bagworth/Ellistown coalfield

Imminent privatisation of the CEGB – with the potential this brings to open power stations to cheap coal imports – and the Government's intention to privatise British Coal inevitably provokes speculation on UK mining investment. In the case of Asfordby, a £400m replacement for the North West Leicestershire coalfield intended to produce 4m tonnes annually and employ about 1,800 people, there have been suggestions that the pit could be mothballed or mined cheaply.

Mr Ken Moses, British Coal's technical director, denies that privatisation is making any difference to the sums. He says that Asfordby is just a few weeks behind schedule, that jobs will be available this October as planned, and that the pit should be in full production by 1994.

However, there is to be an annual review of Asfordby's progress in October which ties in with the next investment decision – whether to commit £100m to driving roadways to access the coal seams. So far, £120m has been spent in building the winding towers and drilling the mineshafts. But that, says Mr Moses, is no guarantee Asfordby will be completed.

He stresses that decisions are taken in the light of future profitability. "At a moment like this of major commitment we always ask ourselves whether it is worth proceeding."

The test used for profitability is stern. Asfordby will be expected to return operating costs of around £1 per gigajoule compared with £1.45 in the north east area, currently the most effective coalfield, and £1.54 in Nottinghamshire. As a comparison, open-casting operations in June 1989 had operating costs of £1.06 per gigajoule.

Mr Moses admits that Asfordby will not be in the same league as Selby, where development costs already amount to £1.1bn. The key to Asfordby, he says, is the six-day week agreement signed with the UDM, the precursor to a similar deal for the proposed Margam Mine in South Wales. But, Mr Moses asks, will miners be able to change the habits of a lifetime for a three week on, one week off flexible working routine?

Such doubts are met with scorn by Mr Neil Greatrex, the UDM's Nottingham president and national vice-president. "The six-day week agreement has been struck with us. We are honourable people, and we will stick to it," Mr Greatrex comments. "We didn't much like the idea of flexible working, but we have accepted its reality."

He claims that British Coal would prefer to call a halt to Asfordby because of unexpected geological problems, and that they had hoped to use flexible working as an escape route. "Asfordby will be a white elephant," he says, "but British Coal will go ahead because it would be too embarrassing to pull out." He predicts the eventual workforce will be around half the original estimate.

Mr Greatrex believes Asfordby will never be a significant contributor to the Nottinghamshire coalfield, which last year returned operating profits of £89m. "We could well do without it," he concludes.

It is in this climate of apathy that British Coal must take its next investment decision. Mr Moses says that he is indeed looking at cheaper ways of accessing the coal, ways that could perhaps save £60m of capital costs and thus reduce the mine's debt servicing burden.

But, he insists, whatever happens at Asfordby has relevance only for Asfordby. The investment decision, affecting the mine's likely performance in the 20 years from 1995, is entirely dependant on his judgment, as chairman of British Coal's capital investment committee. "There are no global implications if we chose to stop or to slow down the project." The money is there if he cares to spend it, says Mr Moses, and it is not endangered by any privatisation.

Development at Hawkhurst Moor, the proposed superpit in Warwickshire with much the same capacity as Asfordby, awaits the Environment Secretary's decision following a public inquiry. If it receives the go-ahead, parallel investment criteria will apply, Mr Moses says.

Ironically, the environmental outcry which first greeted the idea of mining in the Vale of Belvoir is far more muted today. By common consent, British Coal – which chose the least sensitive site for surface operations – has so far respected its promises on construction noise and nuisance. The worry must now be that Asfordby's potential contribution to the local economy, as Europe's single largest mine, is never fully realised.

Open-casting does cause residents problems, and the two Leicestershire sites are no exception. Coalfield North, near Coalville, has been worked since 1982. Its 182 hectares are expected to yield 7.5m tonnes when completed 1992. A 231 hectare site at Lounge, near Ashby de la Zouch will provide 4m tonnes.

Applications exist for small extentions, and British Coal's Opencast Executive is keen to stress its caring side. It so happens that the M42 Birmingham-Nottingham motorway construction crosses wetlands on the Lounge site. There are plans to establish a nature reserve at Lounge. In the meantime naturalists removed plants and amphibians from the motorway line to a temporary sanctuary at Peterborough only to learn that the frogs and toads had already made new homes for themselves at Lounge.

British Coal's Central Area operation is still directed from Coleorton Hall, the majestic Leicestershire country house built in 1804 for Sir George Beaumont, friend and patron of Wordsworth, Coleridge and Landseer among others. Coleorton is one of several Midlands seats which came into the coal board's ownership on nationalisation. Now that Leicestershire is deemed to be without coal and Central Area's operations are pushing south Coleorton seems a candidate for less technical pastimes.

EDUCATION

Thorny issues at county hall

Keith Wood-Allum, director of education: faces problems with the implications of local budgeting

Tony Andrews

OVER the years, Leicestershire education committee has to many represented the best of England's eclectic system. Created in 1974 from an amalgam of three education authorities, Leicestershire still maintains traditions of the city, the county and Rutland – tacked on at reorganisation – while encouraging innovative approaches.

Three comprehensive systems of secondary education run in parallel, the most individual being the former county area's lower schools for 11-14 year-olds and upper schools for 14-18 year-olds. There is also a small catholic system, mainly for 11-18 year-olds.

For the past nine years, Leicestershire has been a hung council and for four years the education committee has had no chairman. This came about when the then Alliance members declined to support the Conservative group, whose turn it was to take the chair, over budget proposals.

Each party has an education spokesperson. As the county's director of education, Mr Keith Wood-Allum, says: "Depending on how members are feeling somebody gets appointed to the chair. At the moment it's tending to be the Labour spokesman."

In fact, a sub-committee once proceeded with nobody in the chair. The advice education officers received was that, although they could not legally step in, so long as consensus prevailed the committee could continue to sit.

Consensus in times of drastic change to education methods, and to its administration, might seem an impossibility. But Leicestershire's practice is to develop complex issues in working groups so that detail is understood and attitudes explored by the time they come to committee.

As a democratic safeguard, Leicestershire runs a device called a five-member notice by which any committee decision formally opposed within a week by any five councillors is automatically referred back to next month's meeting. It is not uncommon for councillors from outside the education committee to employ such tactics on certain issues.

The biggest single issue every education authority is facing at present, with GCSE and national curriculum preparations over, is the local management of schools (LMS) provisions of the Education Reform Act. Leicestershire has been through a double consultation process with school governors, heads and parents before producing a report which goes to committee on 30 September.

This raises what Mr Wood-Allum calls "a number of thorny issues" including the implications of local budgeting. But he is not so sure that power will necessarily slip much from county hall. "The fundamental point is that we will still determine how much there is to spend on education overall." What is new, he says, is that schools will have an opportunity to move their spending allocation between expenditure heads.

The crunch comes with staffing. Teachers represent about 70 per cent of budget costs. School governors will have powers to appoint staff, decide on establishment strength and dispose of teachers if they so choose. "At the moment Leicestershire operates a no-redundancy policy. If a school's governors wished to make someone redundant against my advice it is open to my authority to ask them to meet the cost of the redundancy payment."

In the current climate, and given the new demands of the national curriculum, all education authorities are having problems attracting and retaining the right calibre of staff. Leicestershire, however, sees itself reasonably well-placed, so far. Three teacher training establishments provide a good supply because people tend to stay in the county once they've got to know it. And career opportunities do exist.

"Leicestershire has a continuing tradition of expenditure on staff development and in-service training," says Mr Wood-Allum. "We've concentrated on working alongside schools, encouraging them to review their curriculum and organisation, to determine their own training needs. We've offered the resources and the support of a strengthened advisory service."

Attracting teachers is one thing: combatting falling rolls another. By and large, Leicestershire does not have a problem in primary schools. Two closed voluntarily last year, but the county's primary population is growing. The secondary trough came later than in most counties and will level out sooner, but overall numbers are falling.

The authority went through a three-year exercise to close an 11-14 school in Melton Mowbray where, in its opinion, reduced numbers made the school unviable. Faced with closure, the school's governors decided to back parent demands to opt in favour of grant maintained status. Their application was approved by the Education Secretary last month.

Mr Wood-Allum says that the school will, of course, receive every help from his authority. Children who go there will begin and finish schooling with the LEA. However, the decision obviously hurts. "The knee-jerk reaction is to say that when local authorities go through all the processes of consultation and a school threatened with closure has an escape hole to become grant maintained all that does is pass the problem onto the next school.

"It remains to be seen how this school builds relationships in its new form with Melton's other schools. Although it is differently organised the curriculum must be consistent. After all, we're dealing with the same children. There are a lot of uncertainties about how grant maintained schools will operate, and there is ground for discussion on buying in services. But the onus is on the school itself."

Despite the demands of the national curriculum, the county maintains its ability to innovate. Mr Wood-Allum points to Leicestershire's Theatre in Education group of actor-teachers, currently touring the county with a home-produced play on the theme of economic awareness. A video on the subject of AIDS sold widely.

The authority has negotiated a Compact agreement in certain parts of Leicester, but the county is not in the forefront of TEC initiatives. Leicestershire's critics compare it unfavourably with Nottinghamshire and Derbyshire, where the links between education, training and industry are better developed. Mr Wood-Allum says that the county's lack of big employers is holding things back because they tend to be the basis of formal training.

"I believe it is our job, in consultation with industry to provide opportunities for vocational training of young people, have proper counselling systems and good liaison with employers." There is also an important role in retraining through further education and community colleges. Leicestershire recently appointed its own marketing officer to reinforce public awareness of courses. Community colleges, a county tradition, have a new relevance in provision of access courses for career changes.

The county maintains its ability to innovate. For example, Leicestershire's Theatre in Education group of actor-teachers, is currently touring the county with a play on economic awareness

Robert Waterhouse

Tony Andrews

The Rutland Water near Oakham, popular with anglers. Tourism in the county is quietly prosperous but can, and will, do better

TOURISM

Building on the pork pie image

TOURISM in Leicestershire is almost a mirror image of the county. It's a good product, with plenty of variety, many amenities but few large attractions, and it hides itself away. It is quietly prosperous but can, and will, do better.

Earlier this year Leicestershire County Council published a draft consultation strategy for tourism. It was the work of Mr Alex Holmes, the county's first tourism officer, who promptly left for the challenge of Cheshire.

His cogent analysis, together with commitment by the county, Leicester City Council and the English Tourist Board to a development programme, provides the impetus to propel Leicestershire into action.

Because it lacks a single attraction or an exhibition centre large enough to serve regional business, the county's tourism network has grown in a piecemeal fashion. A buoyant economy ensures heavy use of hotels from Mondays to Thursdays – only in Rutland, the former county which is now a Leicestershire district, does leisure tourism almost hold its own. But most business visitors stay just one night. It's not perceived as somewhere to linger.

There are places of interest, for sure. The most visited by far is Bradgate Park, where more than 1m people annually take a breath of country air. The fact that Bradgate Hall is the birthplace of Lady Jane Grey doesn't have much relevance: the hall is in ruins, though the history holds good. Leicestershire's other sites like the Bosworth Battlefield and Jewry Wall, Roman remains in the heart of Leicester, attract far fewer visitors.

It is not the county's or the tourism industry's intention to promote an Alton Towers or a big theme park "experience."

Tony Andrews

Leicester's Clock Tower

That, they feel, would be out of keeping with the scale of existing products. Rather, the proposed strategy suggests a sequence of themes: history, obviously; countryside, with emphasis on the Vale of Belvoir and Rutland; cheese and pies, based around Melton Mowbray and Stilton; industrial heritage, of which there is a surprising amount including the Moira blast furnace near Ashby de la Zouche and the Foxton Locks; shopping; sports (Donington Park and Rutland Water); and family interests.

Because tourism is a low-key affair in Leicestershire, and starts from a modest base, the potential is high. But already it provides valuable income and jobs. Last year it was worth £115m to the county economy, of which some £20m came from overseas visitors.

About 7,600 jobs can be directly attributed to tourism, with a further 14,000 indirectly related. In East Midlands terms Leicestershire is just one of five counties with comparable statistics.

The county is unusually weighted to what is called in tourism jargon the VFR market. Visiting friends and relations is an excellent activity but by definition it's not a great revenue earner. Accordingly, it does not receive priority in the strategy proposals. Nor, perhaps surprisingly, does lucrative business tourism – for two reasons. First, it is not easily susceptible to marketing ploys, and second there is little spare weekday capacity anyway.

Three categories are seen as the growth markets: day visitors; domestic weekend breaks; and the overseas leisure tourist. The logic here is that Leicestershire's location and good communications offer a day visitor potential, especially from the West Midlands; that weekend break visitors spend handsomely in response to creative marketing; and that Leicestershire should build on its already strong position with overseas visitors, who often don't share British notions about the "boring" Midlands.

There are, of course, ways in which Leicestershire's tourism product could be improved. The county's hotels, especially the smaller ones, need better all-round facilities like en-suite bathrooms, and because of the day-based nature of many visits there is a scarcity of self-catering establishments.

This is just the sort of venture which the county council is seeking to encourage through a new tourism business grant scheme, paid on a job-creation basis up to £2,500.

All the same, public participation in a fast-growing multi-million pound industry is pitifully low. Local authorities do what they can on restricted promotional budgets. The county council's £40,000 and Leicester City Council's £70,000 have to be spent very carefully to have any impact. As LCC's strategy report points out, Leicestershire needs "one co-ordinated marketing effort in order to put across a strong sales message to the consumer and the travel trade."

However, research carried out for the East Midlands Tourist Board of a representative sample in London suggests that Leicestershire at least does not have an unfavourable image to combat. Along with Northants it is perceived as rural, relaxing and slightly quaint. So for next season the board is launching a new promotion linking the two counties as The Village Green of England.

"The industry is comfortable about this tie-up," says Mr John Dylan-Guy, director of the East Midlands Tourist Board. "Leicestershire has an accurate image. It is a question of upping awareness." People, he says, really do come to the county for pork pies and local ale.

The M25 has improved access no end. And the Leicester business hotels have learnt lessons from overprovision in the 1970s: there are genuine bargains available at weekends.

Robert Waterhouse

East Midlands International Airport

More scheduled services are crucial to sustain growth

EAST Midlands International Airport's proximity to the M1 was highlighted tragically last January, when the diverted British Midlands London-Belfast flight crashed into the motorway bank at Kegworth.

The airport has sought to distance itself from the aftermath, though its emergency services played a leading part in the rescue operation. Mr Terry Lovett, the airport's managing director, says he sees no need for re-examining safety procedures in the light of Kegworth.

Airport growth was held to 3 per cent at 1.36m passengers in 1988-89 by a poor year for inclusive tours, but pre-tax profits grew by 32.9 per cent to £2.8m. Cargo recovered from a 20 per cent slump last year to record a 29 per cent increase at 20,800 tonnes, with a further 7,975 tonnes of mail.

With only minor improvements the airport will handle 2m passengers a year, with a possible expansion to 7m by 2000 on the cards

East Midlands, confirmed as the Post Office's central hub, operates 18 flights nightly in and out after sorting. Last November, Sir Bryan Nicholson, chairman of the Post Office, opened a £1.25m postal sorting building, subject of a unique 10-year agreement between the two organisations.

British Midland, based at Castle Donington, has scheduled flights which represent about 20 per cent of business there. These reported big passenger increases during the past year. Despite its awkward mid-day timing, traffic on the Paris service was up 39 per cent. Glasgow saw a 34 per cent improvement, Amsterdam 17 per cent.

The authorities hope that the airport will become a hub for British Midland rather like Birmingham is to be for BA, attracting the smaller carriers

While praising British Midland's performance Mr Lovett stresses that his airport is not necessarily tied to one particular carrier. He hopes that it will become a hub for British Midland rather like Birmingham is to be for British Airways, attracting the smaller feeder carriers. He also suggests that the airport badly needs scheduled services to Brussels and Dusseldorf.

A decision not to proceed with expensive runway extensions for which planning permission was expiring has already justified itself, Mr Lovett believes. The latest generation of wide-bodied aircraft make the US East Coast available on full payload, and there is little sign yet of any long-haul scheduled interest.

One senses a feeling almost of jealousy at the relative success of Manchester in beginning to attract the long-haul destinations, along with a realisation of just how tortuous this process tends to be in the UK.

However, Thomson Holidays have announced, for the first time, an inclusive tour flight from East Midlands to Orlando, Florida, in their 1990 brochure. The once-weekly flight, which calls in at Prestwick, is seen by Thomson's regional sales manager, Mr Floyd Ballantyne, as a market tester.

During last year Thomson tookover Horizon Holidays and thus Orion, who were based at East Midlands. Thomson's commitment to the airport was underlined at the launch of the brochure. In a difficult year nationally, inclusive tour traffic is up 13 per cent at Castle Donington, where Thomson has a 47 per cent market share. The company is to move Britannia's crew training centre there from Luton.

So far the airport, owned jointly by Leicestershire, Derbyshire, Nottinghamshire and Nottingham, has been able to expand within the restrictions of the public sector borrowing requirement.

Mr Lovett is confident that growth can continue primed by demand. With only minor improvements the airport will handle 2m passengers a year, he says, and a possible expansion to 7m by the turn of the century could be achieved without substantial capital expenditure. To do this, however, the airport must attract a whole new range of scheduled services.

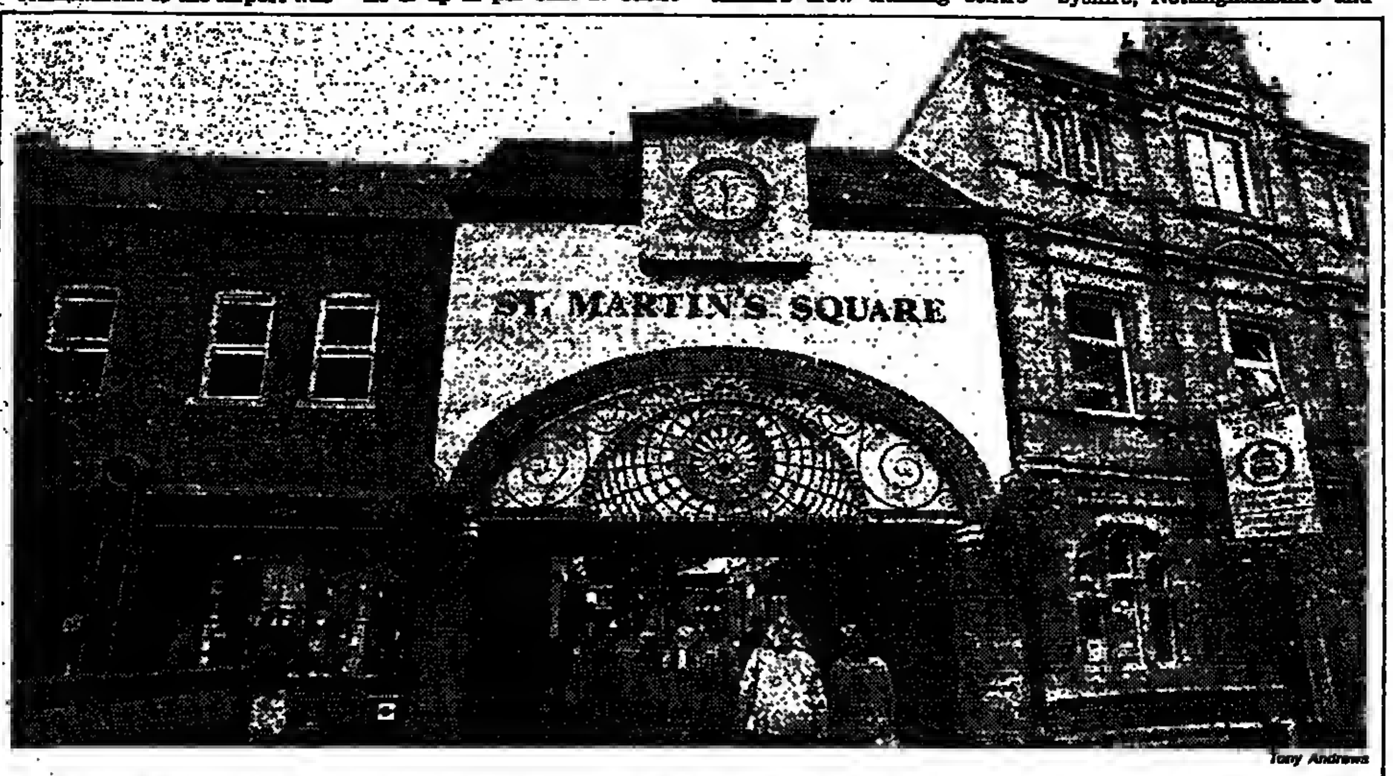
Opening the M42 extension could prove a mixed blessing, since it puts Birmingham airport within 40 minutes of Derby and Nottingham. Significantly, East Midlands has sought to reinforce its presence in South Yorkshire by sponsoring a play at the Crucible Theatre and an exhibition at the Ruskin Gallery, Sheffield.

The airport may only be half the size of Birmingham but it is twice that of Leeds/Bradford, and it intends to maintain the difference.

Robert Waterhouse

Tony Andrews

Terry Lovett, managing director of East Midlands International Airport, who has presided over a steady expansion in passenger and cargo traffic



Tony Andrews

St Martin's Square shopping centre in Leicester: the authorities see such facilities as a big factor in boosting regional tourism

ROADS

From excellent to very poor

IF communications are the food of economic prosperity there is no reason why Leicestershire's business community should not be banqueting.

The menu is impressive enough as things stand, and the White Paper of May 1989 promises further main road dishes.

Most routes through the county tend to go north-south, which can make cross-country work interesting.

But useful connections include the M69 linking Leicester to Coventry and the prospect of the M42 tying Birmingham to Castle Donington and Nottingham.

British Rail runs 125 passenger services every half hour to Leicester from St Pancras, while the electrified East Coast route grazes the county north of Stamford.

The Kings Cross-Peterborough service has made the eastern part of Leicestershire a speedy, if increasingly costly, commute.

It has been instrumental in raising house prices in and around the pretty Rutland towns. As an alternative, the A1 runs in parallel.

East-west roads vary from the excellent to the poor. Some, like the A47 Leicester-Peterborough route, are much-improved but still often tedious and environmentally intrusive.

One problem facing highway engineers is that the River Soar runs north-south through the county with a scarcity of bridge crossings. Historically, it has brought Leicester prosperity by funnelling traffic onto the city's bridges.

Nowadays Leicester is handling traffic which it could do without, and the county council's recent Transport Policies and Programme (TPP) for 1990-91 includes a new river crossing for Leicester's intermediate ring road.

Among the more significant East Midlands proposals affecting Leicestershire in the White Paper include widening the M1 to four lanes in each direction, an eastern-bypass for Leicester and improvements on the A6 and the A47. Communications from East Midlands International Airport to Staffordshire will be helped by the new A564 route.

Within the county Leicestershire bid to spend some £17m in the coming year on improvements or extensions to non-trunked roads. Just over half of this bid was accepted by the Transport Secretary, with almost £8m worth eligible for transport supplementary grant.

Disappointing though this is to highway proponents it should be seen in the context of public transport. The county council is giving just £1.2m, plus concessionary fare support of £2.1m, for bus revenues in the present year.

A reinstated rail service between Leicester and Burton-on-Trent is to be extended to Derby past the Toyota plant. Of 16 new stations, 14 will be in Leicestershire. Works are budgeted at just under £3m this year, compared with £16.5m for highways maintenance.

However, Leicestershire has a road repair problem heightened by increasing traffic volumes, often on highways not designed to take the loads they now do.

A survey carried out during March as part of a national assessment showed that millions of pounds over and above what could be claimed was needed to bring structural maintenance of roads and footways to acceptable standards.

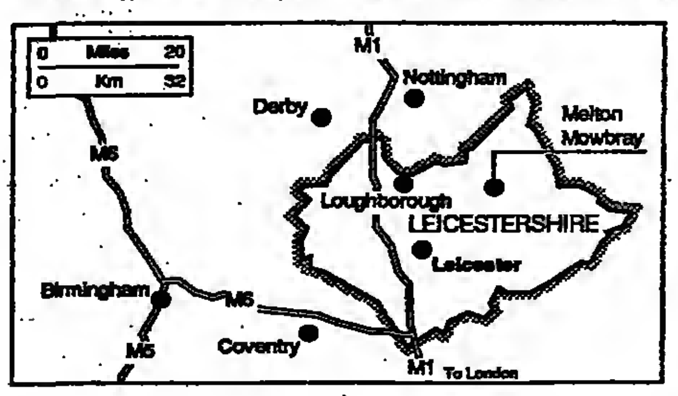
Additionally, cyclists and motorcyclists must contend with above-average wheel track rutting. The county council believes this is a trend likely to get worse. Provision of cycleways in and around Leicester is planned to take just £30,000 from this year's budget.

Leicester has a city centre action programme intended to extend pedestrianisation and restrict unnecessary cross-town journeys by improving the central relief road.

Flow of traffic through the city's streets is now controlled by a remote system called Scoot – split cycle and offset optimisation technique. This reduces delays and improves journey times.

Information available to the nerve centre also includes details of car park spaces. So next time you attempt to leave your vehicle in a full Leicester car park remember – someone could be tracking you!

Robert Waterhouse



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High Income						
American Income	6	57.26	57.75xd	61.44	4.46	40000
Gilts & Fixed Int	6	109.70	109.70xd	116.30	8.60	40001
High Inc Equity	6	140.90	143.40	152.60	4.16	40002
Worldwide Bond	6	204.60	204.60xd	216.30	4.89	40003
Capital Growth						
American Growth	6	209.00	205.40	218.60	0.87	40004
Asian Pacific	6	115.20	117.50	125.00	1.04	40005
Assets & Earnings	6	166.10	166.10	177.70	2.09	40006
Capital Reserve Acc	0	86.92	86.92	86.95	4.60	40007
Capital Reserve Inc	0	77.16	77.16	77.19	5.18	–
Comdty & Energy	6	115.50	118.70xd	126.30	1.60	40008
1992 Enterprise	6	61.62	61.82	66.33	1.92	40597
Euro Capital Acc	6	95.03	95.78	101.90	0.74	40009
Euro Capital Inc	6	91.63	92.40	98.90	0.76	–
General	6	135.50	135.90xd	145.40	2.52	40010
International	6	54.96	55.75	59.31	0.94	–
Japan	0	115.60	117.40	124.90	0.00	40011
Mastertrust	6	92.51	92.51	98.45	1.72	40012
UK Growth Acc	6	207.90	207.90	222.40	1.26	40013
UK Growth Dist	6	139.2	139.2	148.9	1.86	40014
US Emerging Cos	6	56.65	56.65	60.59	0.00	40015
Income & Growth	6	321.0	327.4	348.3	2.96	40016
Ethical	6	51.50	52.77	56.14	1.79	40017

Abtrust Management Ltd (1000)H
10 Queens Terrace Aberdeen AB9 1QJ 0800 833580

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Amer Inc & Growth	5¼	32.47	32.47	34.79	2.82	40019
European	5¼	73.41	73.49	78.35	0.00	40025
European Income	5¼	69.26	69.26xd	73.94	2.59	41377
Exempt	1	852.3	852.3	886.4	2.81	41379

Metropolitan Unit Trust Mngrs Ltd (1000)F
3 Darkes Lane, Potters Bar EN6 1AJ. 0707 45184

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Eurogrowth Plus	6	66.53	67.45	71.76	0.66	46642
Global Growth	5¼	47.74	47.92	50.90	0.49	40960
Global Income Acc	5¼	60.51	61.05	64.95	3.08	40959
00 Income	5¼	56.69	57.20	60.85	3.29	40958
Sunrise Accum	6	60.70	70.18	74.66	0.00	46643
UK Growth Acc	5¼	68.95	62.31	66.29	1.51	40957
UK Income Acc	5¼	73.55	75.54xd	80.36	3.75	40956
00 Income	5¼	68.46	70.31xd	74.80	4.01	40955

Midland Unit Trusts Ltd (1200)F
192 Eyre Street, Sheffield, S1 5R0 0742 529888

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
British Tst	6	62.37	62.77	67.13	2.24	40479
(Accum Units)	6	63.39	63.79	68.22	2.24	40480
Capital	6	125.7	125.7	134.4	2.07	40961
(Accum Units)	6	181.9	181.9	194.5	2.07	40962
European Growth	6	141.2	141.2	150.4	0.54	40965
(Accum Units)	6	173.8	173.8	185.2	0.54	40966
Extra High Inc	6	73.51	74.51	79.69	6.35	40967
(Accum Units)	6	100.8	102.2	109.3	6.35	40968
Gilt & Fxd Int	4	50.54	50.54xd	52.74	9.36	40969
(Accum Units)	4	104.1	104.1	108.6	9.36	40970
High Yield	6	217.9	220.7	236.0	4.75	40971
(Accum Units)	6	414.9	425.1	454.7	4.75	40972
Income	6	257.2	259.7xd	277.8	3.32	40973
(Accum Units)	6	464.9	469.5	502.1	3.32	40974
Intl High St UT	6	60.28	60.28	64.47	1.19	[illegible]
(Accum Units)	6	62.14	62.14	65.46	1.19	[illegible]
Japan Growth	6	400.0	400.0xd	428.1	0.00	[illegible]
(Accum Units)	6	420.5	420.5	450.0	0.00	[illegible]
Mandarin Tst	6	63.87	63.90	68.34	0.73	[illegible]
(Accum Units)	6	64.40	64.42	68.90	0.73	–
Mngd P'folio Acc	6	75.31	75.84	81.11	1.74	40979
Money Market UT	4	49.43	49.43xd	51.40	10.09	–
North American	6	134.3	135.8	145.2	0.22	40980
(Accum Units)	6	165.8	167.6	179.3	0.22	40981
Smaller Cos	6	187.9	190.1	203.3	1.53	40982
(Accum Units)	6	209.1	211.6	226.3	1.53	40983
Meridian Income	6	113.0	114.9	122.9	3.20	46224
(Accum Units)	6	118.0	119.1	127.4	3.20	46677
Meridian Growth	6	126.2	127.0	135.8	1.83	46225
Midland Personal Pension Unit Trust *						
British	6	63.05	63.78	67.85	2.26	46496
European Growth	6	64.45	64.56	60.60	0.54	46497
Gilt & Fixed	6	51.27	51.27	54.52	8.31	46498
Income	6	58.43	59.30	63.06	3.32	46499
Japan Growth	6	50.61	58.97	62.73	0.00	46500
Managed	6	59.35	60.08	63.91	1.75	46504
Money Market	6	54.02	54.02	57.26	9.84	46501
North American	6	62.75	63.78	67.85	0.22	46503
Midland FSAVCS Unit Trust *						
British	6	59.45	60.14	63.90	2.27	–
European Growth	6	63.82	63.92	60.94	0.54	–
Gilt & Fixed Inc	6	50.43	50.43	53.62	9.15	46652
Income	6	59.36	60.26	64.11	3.32	–
Japan Growth	6	60.89	61.25	65.16	0.00	–
Managed	6	50.42	59.14	62.92	1.74	–
Money Market	6	52.03	52.03	55.15	9.87	–
North American	6	65.21	64.15	68.24	0.22	–

Perpetual Unit Tst Mngmt (1200)F
48 Hart Street, Henley on Thames 0491 576868

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
International Gwth	5¼	372.33	372.33	398.22	1.44	41129
Income	5	256.67	256.67	274.52	4.03	41130
W'wide Recovery	5¼	220.97	220.97	236.34	1.65	41131
American Growth	5¼	99.32	99.32	106.21	1.35	41132
Intl Emerging Cos	5¼	98.58	98.58	105.44	0.92	41133
Far East Gwth	5¼	137.59	137.59	147.16	2.00	41134
European Gwth	5¼	92.46	92.74	99.19	1.10	41135
UK Growth	5¼	48.14	48.14	51.49	2.66	41136
High Income	5¼	59.65	59.94	64.11	5.85	41137
Japanese Gwth	5¼	138.07	138.07	147.23	0.01	46329

Phillips & Drew Unit Managers Ltd
14 Finsbury Square, London EC2A 1PD 01-628 6070

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Charities Fxd Int		101.2	101.2	101.4	9.4	–
Charities Ind Unit		105.27	105.27	105.49	2.4	–
UK Exempt		115.3	113.3	115.7	4.1	–
Charities Intl		117.9	117.9	119.7	2.2	–

Prolific Unit Tst Mngrs Ltd (1200)H
222 Bishopsgate, London EC2 01-247 7544/7

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
American Income	5	68.61	69.26	73.36	3.59	41141
Conv & Gilt	5	131.9	131.9xd	140.7	6.00	41142
Euro Gwth & Inc	5	64.94	54.94	50.75	1.84	41143
Extra Income	5	146.2	147.2	157.3	4.57	41144
Far East	5	266.5	267.6	284.4	0.01	41145
High Income	5	95.52	95.52	102.0	4.19	41146
International	5	160.5	162.7	173.1	0.60	41147
Nth American	5	165.6	167.4	179.1	0.01	41148
Pref & Fxd Int	5	47.01	47.01	50.01	8.40	46464
Special Sits	5	118.9	120.3	128.7	1.69	41149
Technology	5	147.7	147.7	157.6	0.40	41150

Providence Capital Fd Mgrs Ltd (1000)H
50 Uxbridge Road, London W12 8PG

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Worldwide Inc	5	110.80	110.80xd	118.30	[illegible]	[illegible]
Worldwide Acc	5	115.50	115.50xd	123.40	[illegible]	[illegible]
UK Equity Inc	5	81.39	81.39	87.31	[illegible]	[illegible]
UK Equity Acc	5	89.78	89.78	96.31	2.00	[illegible]
European Inc	5	128.30	128.30	137.40	[illegible]	[illegible]
European Acc	5	132.90	132.90	142.30	[illegible]	[illegible]
Nth American Inc	5	68.68	68.68xd	73.07	[illegible]	[illegible]
Nth American Acc	5	71.49	71.49xd	76.00	[illegible]	[illegible]
Japan Inc	5	122.90	122.90	131.70	[illegible]	[illegible]
Japan Acc	5	123.20	123.20	132.00	[illegible]	[illegible]
UK High Inc Eq Inc	5	73.21	75.21	81.13	[illegible]	[illegible]
UK High Inc Eq Acc	5	85.47	85.47	92.20	[illegible]	[illegible]
Hong Kong Inc	5	43.92	43.92xd	46.86	2.87	[illegible]
Hong Kong Acc	5	45.89	45.89xd	48.95	2.87	[illegible]
Swiss Equities Inc	5	29.83	29.83	42.72	1.50	[illegible]
Swiss Equities Acc	5	40.19	40.19	43.10	1.10	[illegible]
W'wide Bond Inc	5	52.29	52.29xd	55.18	5.86	[illegible]
W'wide Bond Acc	5	54.97	54.97xd	58.00	5.86	[illegible]
Emerging Asia Inc	5	98.85	98.80	105.90	0.00	[illegible]
Emerging Asia Acc	5	98.85	98.85	105.90	0.00	[illegible]
UK Money Mkt Inc	0	50.24	50.24	55.24	12.95	–
UK Money Mkt Acc	0	50.24	50.24	50.24	12.95	–

Provident Mutual Unit Tst Mgrs Ltd (0905)H
25-31 Moorgate, London. EC2R 6BA. 01-588 3963

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
PM Equity Gth	5	126.5	128.0	136.1	2.54	41169
PM Income & Gth	5	105.2	106.4xd	113.1	5.86	41170
PM Nth Amer Gth	5	61.60	61.60	65.53	1.15	41171
PM European Gth	5	61.64	61.87	65.81	0.67	41172
PM Japan Gth	5	80.46	80.61	85.75	0.29	41173
PM Overseas Gth	5	57.15	57.15	60.79	0.43	41174

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ψ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♠ - 1401 to 1700 hours; ψ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages.

هكذا من الأصل

FT UNIT TRUST INFORMATION SERVICE

• For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

Unit Name	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Windsor Trust Mngrs Ltd (1200)F						
83 Kingsway, London, WC2B 6SD						01-405 8331
Comb'd & Equity	5	64.25	67.31	71.60	6.62	41599
European	5	77.88	78.36	83.36	0.09	41600
Far Eastern	5	63.08	69.83	74.28	0.57	41304
Growth Inc	5	88.65	92.10xd	97.97	1.59	41600
Growth Acc	5	88.72	92.17xd	98.05	1.59	—
Income Inc	5	84.64	87.14xd	92.69	4.59	41601
Income Acc	5	84.74	87.24xd	92.80	4.59	—
Property Share	5	54.81	54.81	58.42	2.00	41602
Smaller Co's	5	58.34	58.34	62.19	1.34	41603
Nth American	5	69.80	69.80	74.68	1.48	41209
International	5	51.30	51.30	54.86	1.37	41210
Wright Seligman Fund Mngrs Ltd (1700)F						
11 Blomfield St, London EC2M 7AY						01-588 0592
Intl Growth	5	116.86	116.86	125.01	3.81	41404
UK Growth	5	95.00	95.00	100.00	3.00	—
UK Income	5	95.00	95.00	100.00	4.50	—
Weekly dealing day Tuesday						
The Yorkshire Unit Tst Mngrs Ltd (1100)F						
Woodsome Pk, Fenay Bdge, Huddersfield						0484 602250
Yorkshire General	5¼	65.15	67.44	71.74	2.53	41605
YUTM UK Eqty Inc Tst	5¼	60.70	62.94xd	66.96	3.73	41606
YUTM Intl Grwth Tst	5¼	54.99	54.99	58.47	0.75	41295

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd					
Int'l Expt June 7	485.5	503.8		—	40105
Cent. Bd. of Fin. of Church of England‡‡					
2 Fore Street, London EC2Y 5AQ					01-588 1815
Inv Fund Aug 31		553.45		4.61	40251
Fxd Int Sec Aug 31		141.85		10.08	40252
Deposit Aug 31		100.00		13.45	40253
Charinco/Charishare‡‡ (1000)F					
33 King William Street, EC4R 9AS					01-280 2800
C'inco Inc Sept 13	164.1	168.9xd		9.73	40254
C'inco Acc Sept 13	689.0	707.5xd		9.73	40255
C'share Inc Sept 13	164.6	170.7xd		3.37	40256
C'share Acc Sept 13	182.2	189.1xd		3.37	40257
Charities Official Invest. Fund‡‡					
2 Fore Street, London EC2Y 5AQ					01-588 1815
Income Aug 31		327.71		4.68	40258
Accum Aug 31		1775.00		—	40259
Edinburgh Fund Mngrs PLC					
Exempt Funds					
American Sept 13	158.3	163.4		1.37	40968
Managed Sept 13	150.1	155.7		1.85	40969
Japan Sept 14	146.0	150.0		0.14	40970
Pacific Sept 15	525.9	540.4		0.19	40971
Sm Jap Cos Sept 15	324.4	333.3		0.10	40572
Fidelity Investment Services Ltd					
Mngd Pens P'folio	135.7	139.4xd		0.94	—
Robert Fleming Asset Mngmt Ltd					
Am Exempt Sept 12	£458.11	464.82		1.91	40456
Gen Exempt Sept 12	£135.71	138.48		3.69	40457
Jap Exempt Sept 12	£663.07	676.13		0.56	40458
Pacific Exempt Sept 12	£106.07	108.60		2.39	—
Intnatl Exempt Sept 7	£126.60	129.74		3.97	—
Prpt Intnl Ext Sept 7	£116.09	118.68		1.83	—
Foreign & Colonial Pens Mngt Ltd					
Exempt Funds					
Anglo-Nippon Sep 11	2131.1	2238.8		0.86	40417
European Inc Sep 11	113.5	119.5		1.75	40418
European Acc Sep 11	118.9	125.3		1.75	40419
North American Sep 11	596.8	619.1		2.49	40421
South East Asia Sep 11	324.1	340.1		1.99	40422
Funds in Court*					
Capital Sept 6	516.0	518.5		1.94	40505
Gross Sept 6	212.6	213.7		6.79	40506
High Yield Sept 6	313.9	315.3xd		5.09	40507
* Restricted to monies under Court control					
Henderson Unit Trust Management Ltd					
Pensions Mngd	53.9	56.4		2.66	40676
Lazard Brothers & Co. Ltd					
Property Sept 7	£3300.0	3500.0		4.6	40777
Inc Gth Prp Oct 1	£1420.0	1480.0		6.8	40778
Lazard Investors Ltd ‡‡					
Exempt Funds					
Small Co's Sept 11	£4596.8	4840.7		1.9	40766
European Sept 11	£510.5	521.0		1.5	40776
American Sept 11	£385.1	389.0		1.7	40773
Far Eastern Sept 11	£762.9	777.6		0.7	40774
Australian Sept 11	£168.4	168.8		2.6	40775
Ridings Aug 11	£223.5	240.4		0.8	40767
Northumbria Aug 11	£195.1	207.0		1.4	40768
North West Aug 11	£263.2	283.3		0.7	40769
East Counts Aug 31	£91.6	96.5		1.2	40770
W Midlands Aug 31	£207.2	223.5		1.5	40771
Local Authorities Mutual Invest. Tst.*					
2 Fore Street, London EC2Y 5AQ					01-588 1815
Property Aug 31		253.58		5.83	40825
Equity Aug 31		407.70		3.90	40826
Pen Int Sec Aug 31		97.78		10.61	40827
* Available only to Local Authorities					
M & G Securities Ltd					
Charibond	101.5	101.5		11.01	40883
(Accum Units)	467.2	467.2		11.01	40884
NAAGIF Sept 6	—	45.31		8.26	—
MIM Ltd					
Exempt Funds					

	Bid Price	Offer Price	Yield Gross	City-line
Albany Life Assurance Co Ltd—Contd.				
Sunrise Metro	140.7	148.1	—	—
UK Metro	125.4	131.9	—	46538
N Am Pn Fd Acc(z)	274.9	289.3	—	41713
Pac Basin Fd Acc(z)	204.2	214.9	—	41714
Property(z)	608.7	640.7	—	41715
Mlple Inv Pens Acc(z)	1545.7	1627.0	—	41717
Baker Funds				
Prof. Pen. Fd.	101.4	106.7	—	41718
YRA Strategy	127.1	133.7	—	41719
YRA Performance	109.4	115.1	—	—
Langham Dollar (SE)	144.1	151.6	—	41720
Allied Dunbar Assurance Plc				
Allied Dunbar Ctr, Swindon SN1 1EL				0793 514514
Fixed Int. Dep. Acc.	266.0	280.1	—	41723
Equity Acc.	915.0	963.4	—	41724
Property Acc.	511.2	538.2	—	41725
Far East Acc.	217.0	228.5	—	41726
European Acc.	25.1	26.5	—	41727
Managed Acc.	715.6	753.3	—	41728
Managed Cap.	404.1	425.4	—	41729
O'seas Earnings Acc.	608.9	641.0	—	41730
Gilt Edged Acc.	317.5	334.5	—	41731
American Equity Acc.	490.1	515.9	—	41732
American Man. Acc.	226.0	237.9	—	41733
American Prop Acc.	151.6	159.6	—	41734
Pen.F.I. Dep. Cap.	293.9	309.4	—	41735
Pen.F.I. Dep Acc.	508.1	534.9	—	41736
Pen. Prop. Cap.	597.9	629.4	—	41737
Pen. Prop. Acc.	1143.9	1204.2	—	41738
Pen. Man. Cap.	877.2	923.4	—	41739
Pen. Man. Acc.	1677.5	1765.8	—	41740
Pen. Gilt Edg. Cap.	317.3	334.0	—	41741
Pen. Gilt Edg. Acc.	495.8	521.9	—	41742
Pen. Eq. Cap.	1454.5	1531.1	—	41743
Pen. Eq. Acc.	2106.1	2217.0	—	41744
Pen. Am. Eq Cap.	164.0	172.7	—	41745
Pen. Am. Eq Acc.	202.1	212.8	—	41746
Pen. Far East Cap.	258.2	271.8	—	41747
Pen. Far East Acc.	317.1	333.0	—	41748
Pen. Euro Cap.	30.4	32.0	—	41749
Pen. Euro Acc.	33.3	35.1	—	41750
Pen. B.S. Acc.	556.6	586.6	—	41751
Pen. B.S. Cap.	332.2	349.9	—	41752
Pen. D.A.F. Acc.	390.5	390.5	—	41753
Pen. D.A.F. Cap.	260.7	260.7	—	41754
Pen. Mortgage Cap.	149.0	157.7	—	41755
Pen. Mortgage Acc.	182.5	192.2	—	41756
Baring Funds				
Pen Equ Cap.	30.7	32.4	—	46176
Pen Equ Acc.	32.3	34.0	—	46177
Pen Am Eq Cap.	37.1	39.1	—	46178
Pen Am Eq Acc.	38.9	41.0	—	46179
Pen Far East Cap.	34.6	36.5	—	46180
Pen Far East Acc.	36.3	38.3	—	46181
Pen Euro Cap.	40.7	42.9	—	46182
Pen Euro Acc.	42.8	45.1	—	46183
James Capel Funds				
Pen Equ Cap.	31.1	32.8	—	46184
Pen Equ Acc.	32.7	34.5	—	46185
Pen Am Eq Cap.	34.7	36.4	—	46186
Pen Am Eq Acc.	36.5	38.5	—	46187
Pen Far East Cap.	34.3	36.2	—	46188
Pen Far East Acc.	36.1	38.1	—	46189
Pen Euro Cap.	35.9	37.0	—	46190
Pen Euro Acc.	37.6	39.6	—	46191
Ambassador Life Assce. Co. Ltd				
80 Holdenhurst Rd, Bournemouth				0202 292345
Equity Fund Acc.	167.5	176.4	—	41757
American Life Insurance Co UK				
2-8 Altyre Road, Croydon CR9 2LA				01-680 6000
Life Funds (Accumulation Units)				
Premier Managed(z)	160.1	168.5	—	41769
Alpha Managed(z)	123.3	129.8	—	41758
HICA Managed(z)	102.6	107.8	—	41767
UK Equity(z)	134.4	141.6	—	41766
Deposit(z)	115.0	121.1	—	41760
Property(z)	178.0	187.4	—	41765
American(z)	107.8	113.5	—	41759
Far Eastern(z)	134.2	141.3	—	41762
International(z)	124.1	130.7	—	41764
Fixed Interest(z)	97.1	102.2	—	41763
European(z)	111.7	117.6	—	41761
Pension Funds (Accumulation Units)				
Premier Managed(z)	188.7	198.7	—	41770
Alpha Managed(z)	130.5	137.4	—	41768
HICA Managed(z)	105.3	110.6	—	46687
UK Equity(z)	148.9	156.8	—	46690
Deposit(z)	124.7	131.3	—	46683
Property(z)	207.2	218.2	—	46689
American(z)	109.3	115.1	—	46681
Far Eastern(z)	145.3	153.1	—	46685
International(z)	125.7	132.4	—	46688
Fixed Interest(z)	104.0	109.5	—	46686
European(z)	117.8	124.0	—	46684
Cash Guaranteed(z)	107.1	112.7	—	46682
Initial Unit prices available on request.				
Avon Insurance Plc				
Tiddington Rd, Stratford-upon-Avon CV37				0789 204211
Bonus Fund	71.96	73.43	—	41772
Barclays Life Assur. Co Ltd				
252 Romford Road, London E7				01-534 5544
Barclaybond	493.8	519.9	—	41773
Managed Accum.	415.0	436.9	—	41774
Equity Accum.	640.9	674.7	—	41775
Property Accum.	323.2	340.3	—	41776

INSURANCES

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

• For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

Premium Life Assurance Co Ltd

Prudential Holborn Pensions Ltd

Scottish Amicable—Contd.

Skandia Life Assurance Co Ltd—Contd.

Target Life Assurance Co Ltd—Contd.

O'Halloran & Co/Countrywide

PBR Fund Management Ltd

Roxborough Financial Management Ltd

Rothschild Asset Management—Contd.

Royal Bank of Canada Funds

AEtna Intl Assurance (Bermuda) Ltd

JERSEY (SIB RECOGNISED)

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

MANAGEMENT SERVICES

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

JERSEY (**)

SWITZERLAND (SIB RECOGNISED)

GUERNSEY (**)

FT UNIT TRUST INFORMATION SERVICE

[illegible]

ISLE OF MAN (**)

[illegible]

LUXEMBOURG (**)

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

OFFSHORE INSURANCES

[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
	"Shorts" (Lives up to Five Years)					
2,000	Exch 11pc 1989	99[illegible]xd	–	23.8	29 Mar 29 Sep	1256
601	Treas 5pc 1986–89	99[illegible]xd	11.55	8.9	15 Apr 15 Oct	1329
174	Exch 10¼pcCv '89	99½	12.94	10.4	15 May 15 Nov	1255
1,000	Treas 13pc 1990‡‡	99[illegible]	12.94	8.6	15 Jul 15 Jan	1300
500	Treas 2pc IL '90(84.6)	132[illegible]	9.98	19.6	25 Jul 25 Jan	1311
1,400	Exch 11pc 1990‡‡	99¼	12.73	12.7	12 Aug 12 Feb	1257
1,250	Exch. 12½pc 1990	99[illegible]xd	13.21	16.8	22 Sep 22 Mar	1262
550	Treas. 3pc 1990	95[illegible]	10.16	3.4	8 Nov 8 May	1325
600	Treas 8¼pc 1987–90‡‡	97[illegible]	12.11	9.5	15 Dec 15 Jun	1340
955	Treas. 8pc Cv 1990 ‡‡	96[illegible]	12.10	9.6	16 Jul 16 Jan	4680
1,887	Treas. 10pcCv 1990	97[illegible]	12.[illegible]	20.3	25 Apr 25 Oct	1285
500	Exch 2½pc 1990	92[illegible]	9.05	17.4	22 May 22 Nov	1270
2,200	Treas 11¼pc 1991	99½	12.23	27.6	10 Jul 10 Jan	1292
400	Funding 5¾pc '87–91‡‡	93¼xd	10.66	1.9	5 Oct 5 Apr	1275
400	Treas. 3pc 1991	90¼	9.57	6.4	13 Nov 13 May	1326
646	Treas 10pc Cv '91 ‡‡	96[illegible]	11.92	27.6	12 Jan 12 Jul	1286
1,550	Exch. 11pc 1991	98[illegible]	11.81	20.3	25 Apr 25 Oct	1258
1,350	Treas. 8pc 1991	92¾	11.71	4.5	10 Jun 10 Dec	1335
900	Treas 12¾pc 1992‡‡	102[illegible]	11.31	15.6	22 Jul 22 Jan	1297
1,600	Treas 10pc 1992	97[illegible]	11.39	17.7	21 Aug 21 Feb	1283
1,400	Treas. 8pc 1992 ‡‡	92[illegible]xd	11.38	6.9	13 Oct 13 Apr	1337
1,288	Treas 10½pc Cv 1992‡‡	98[illegible]	11.29	31.3	7 Nov 7 May	1289
500	Treas. 3pc 1992	84[illegible]	9.43	5.5	11 Dec 11 Jun	1328
1,350	Exch. 12¼pc '92	102[illegible]	11.25	19.7	25 Feb 25 Aug	1265
1,757	Exch 13½pc 1992	105[illegible]xd	11.14	31.8	22 Mar 22 Sep	1266
950	Treas 8¼pc 1993	92[illegible]	11.01	12.7	18 Aug 18 Feb	–
1,850	Treas 10pc 1993‡‡	97[illegible]xd	10.90	8.9	15 Oct 15 Apr	1279
1,100	Treas 12½pc 1993‡‡	104¾	10.90	27.6	14 Jan 14 Jul	1296
600	Funding 6pc 1993‡‡	86¾	10.03	9.8	15 Mar 15 Sep	1276
1,250	Treas 13¾pc 1993‡‡	109[illegible]	10.81	17.4	23 May 23 Nov	1304
1,050	Treas. 8½pc 1994	91[illegible]	10.87	27.6	3 Aug 3 Feb	–
600	Treas 14½pc 1994‡‡	113[illegible]	10.66	26.7	1 Sep 1 Mar	1307
1,100	Exch 13½pc 1994	109[illegible]	10.84	21.3	27 Oct 27 Apr	1267
1,400	Treas. 10pc Ln. 1994‡‡	97[illegible]	10.63	3.5	9 Dec 9 Jun	1284
1,550	Exch. 12½pc 1994	106[illegible]	10.81	17.7	22 Feb 22 Aug	1263
	Five to Fifteen Years					
1,600	Treas 9pc 1994‡‡	93[illegible]	10.61	10.4	17 May 17 Nov	1345
2,350	Treas 12pc 1995	104[illegible]	10.81	19.6	25 Jul 25 Jan	1294
229	Exch 3pc Gas 90–95	76¼	8.43	28.3	1 Nov 1 May	1271
2,100	Exch. 10¼pc 1995	98[illegible]	10.69	14.6	21 Jan 21 Jul	1254
1,000	Treas 12¾pc 1995‡‡	109[illegible]	10.59	10.4	15 May 15 Nov	1298
900	Treas. 14pc '96	114[illegible]	10.74	15.6	22 Jul 22 Jan	1305
750	Treas. 9pc 1992–96‡‡	93[illegible]	10.35	9.8	15 Sep 15 Mar	1344
1,350	Treas 15¼pc 1996‡‡	121[illegible]	10.62	28.3	3 Nov 3 May	1309
800	Exch 13¼pc 1996‡‡	112½	10.60	10.4	15 Nov 15 May	1268
1,109	Conversion 10pc 1996.	97[illegible]	10.50	10.4	15 May 15 Nov	1240
1,500	Treas 13¼pc 1997‡‡	113[illegible]	10.54	15.6	22 Jul 22 Jan	1302
3,100	Exch 10½pc 1997	100[illegible]	10.47	17.7	21 Aug 21 Feb	1253
3,750	Treas 8¾pc 1997‡‡	91[illegible]	10.28	24.8	1 Mar 1 Sep	1341
1,000	Exch 15pc 1997	123[illegible]	10.67	21.3	27 Apr 27 Oct	1269
2,850	Exch. 9¾pc 1998	96[illegible]	10.35	12.6	19 Jul 19 Jan	1273
1,000	Treas 6¾pc 1995–98‡‡	81[illegible]	9.97	28.3	1 Nov 1 May	1331
1,100	Treas. 15½pc '98‡‡	128¾xd	10.50	24.8	30 Mar 30 Sep	1308
2,500	Exch. 12pc 1998	108[illegible]	10.47	13.4	20 May 20 Nov	1259
1,250	Treas 9½pc 1999‡‡	96[illegible]	10.10	8.6	15 Jul 15 Jan	1347
2,900	Exch. 12¼pc 1999	110[illegible]xd	10.43	21.8	26 Sep 26 Mar	1264
1,252	Treas. 10½pc 1999	100[illegible]	10.33	12.4	19 Nov 19 May	1288
1,548	Conversion 10¼pc 1999.	99[illegible]	10.29	17.4	22 May 22 Nov	1242
1,200	Treas. 8½pc Ln 2000‡‡	90[illegible]	10.03	21.6	28 Jan 28 Jul	1338
1,554	Conversion 9pc 2000‡‡	93[illegible]	10.05	28.7	3 Sep 3 Mar	1244
1,817	Treas. 13pc 2000	116[illegible]	10.41	27.6	14 Jan 14 Jul	1299
1,050	Treas 10pc 2001	98[illegible]	10.14	20.7	26 Aug 26 Feb	1280
1,250	Treas. 14pc '98–01	110[illegible]	10.62	17.4	22 Nov 22 May	1306
802	Conversion 9¾pc 2001.	97[illegible]	10.09	4.7	10 Feb 10 Aug	1248
1,600	Exch. 12pc '99–02	108¼	10.49	15.6	22 Jul 22 Jan	1261
716	Conversion 10pc 2002.	99¾xd	10.02	4.9	11 Oct 11 Apr	1241
1,450	Treas 9¾pc 2002	98[illegible]	9.98	21.7	27 Feb 27 Aug	1349
1,300	Exch. 9pc 2002	93[illegible]	9.92	12.4	19 May 19 Nov	1272
1,800	Treas. 13¾pc 2000–03.	121[illegible]	10.44	19.6	25 Jan 25 Jul	1303
1,000	Treas 10pc 2003	100[illegible]	9.87	2.8	8 Mar 8 Sep	1281
1,900	Treas. 11½pc 2001–04.	108xd	10.29	14.8	19 Sep 19 Mar	1290
900	Treas. 10pc 2004	101[illegible]	9.83	11.4	18 Nov 18 May	1292
443	Funding 3½pc '99–04.	57[illegible]	8.65	29.6	14 Jan 14 Jul	1274

BRITISH FUNDS—Contd

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
	Over Fifteen Years					
1,362	Conversion 9½pc 2004.	97[illegible]	9.7[illegible]	20.3	25 Apr 25 Oct	1246
1,881	Conversion 9½pc 2005	98[illegible]xd	9.[illegible]	11.9	18 Oct 18 Apr	1247
1,050	Exch. 10½pc 2005	106[illegible]	9.7[illegible]	14.8	20 Mar 20 Sep	1251
2,200	Treas. 12½pc 2003–05.	119[illegible]	9.9[illegible]	14.4	21 May 21 Nov	1295
1,800	Treas. 8pc 2002–06‡‡	86[illegible]	9.[illegible]	1.9	5 Apr 5 Oct	1334
702	Conversion 9¾pc 2006.	100[illegible]	9.6[illegible]	10.4	15 May 15 Nov	1249
3,150	Treas. 11¾pc 2003–07.	113[illegible]	9.9[illegible]	15.6	22 Jul 22 Jan	1293
1,446	Treas 8½pc 2007 ‡‡	91[illegible]	9.[illegible]	9.6	16 Jan 16 Jul	1339
1,250	Treas. 13½pc '04–08	128xd	9.[illegible]	21.8	26 Sep 26 Mar	1301
1,800	Treas. 9pc 2008 ‡‡	96[illegible]xd	9.[illegible]	6.9	13 Apr 13 Oct	1343
1,000	Treas 8pc 2009	87½xd	9.[illegible]	21.8	25 Mar 25 Sep	1336
369	Conv 9pc Ln 2011 ‡‡	96[illegible]	9.[illegible]	29.6	12 Jan 12 Jul	1245
1,000	Treas. 5½pc 2008–12‡‡	65[illegible]	[illegible]	4.8	10 Mar 10 Sep	1330
700	Treas. 7¾pc 2012–15‡‡	84[illegible]	9.[illegible]	19.6	26 Jul 26 Jan	1332
1,000	Exch. 12pc '13–17	125[illegible]	9.16	8.5	12 Jun 12 Dec	1260
	Undated					
359	Consols 4pc	42½	–	26.6	1 Feb 1 Aug	1239
1,909	War Loan 3½pc‡‡	37[illegible]	–	25.4	1 Jun 1 Dec	1352
140	Conv. 3½pc '61 Aft	64[illegible]xd	–	25.8	1 Apr 1 Oct	1243
56	Treas. 3pc '66 Aft	34[illegible]xd	–	1.9	5 Apr 5 Oct	1324
276	Consols 2½pc	26[illegible]xd	–	1.9	5 Ja Ap Jul O	1238
475	Treas. 2½pc	26[illegible]xd	–	25.8	1 Apr 1 Oct	1315
	Index-Linked		(b)	**		
650	Tr. 2pc '92‡‡(97.8)	111[illegible]xd	3.21	17.8	23 Mar 23 Sep	1312
400	Do. 2 '94 (102.9)	104¼	3.09	10.4	16 Nov 16 May	–
1,000	Do. 2pc '96(67.9)	153½	3.18	10.8	16 Mar 16 Sep	1313
900	Do 2½pc '01(78.3)	129[illegible]xd	3.53	18.8	24 Mar 24 Sep	1316
800	Do. 2½pc '03(78.8)	126[illegible]	3.58	13.4	20 Nov 20 May	1317
1,200	Do. 2pc '06(69.5)	129½	3.59	12.6	19 Jan 19 Jul	1314
950	Do. 2½pc '09(78.8)	120[illegible]	3.59	13.4	20 Nov 20 May	1318
1,350	Do. 2½pc '11(74.6)	126¼	3.57	17.7	23 Feb 23 Aug	1319
1,100	Do. 2½pc '13(89.2)	104[illegible]	3.55	10.7	16 Feb 16 Aug	1320
1,700	Do. 2½pc '16(81.6)	113[illegible]	3.51	19.6	26 Jan 26 Jul	1321
1,400	Do. 2½pc '20(83.0)	111[illegible]xd	3.46	11.9	16 Oct 16 Apr	1322
900	Do. 2½pc '24‡‡(97.7)	93¾	3.42	12.6	17 Jan 17 Jul	1323

**Prospective real redemption rate on projected inflation of 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for January 1989:111.0 and for August 1989:115.8

INT. BANK AND O'SEAS

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
50	African Dv Bk 11¼Ln 2010	103¼	10.72	1.12	4 Jan 4 Jun	–
100	Asian Dev Bk 10¼pcLn2009	99[illegible]	10.33	28.3	24 Mar 24 Sep	–
100	Australia 13½pc 2010	123½xd	10.67	23.12	28 Jan 28 Jul	–
100	Do. 11¾pcLn2015	106[illegible]	10.63	22.3	26 Apr 26 Oct	–
75	Euro Inv Bk 11pc Ln 2002	103[illegible]	10.52	23.2	23 Mar 23 Sep	–
100	Do. 10¾pc2004	99[illegible]	10.48	24.10	Apr Nov	–
75	Int-Am Dev Bk 12½pc 2003	112[illegible]	10.69	7.12	8 Jan 8 Jul	–
175	Do. 9¾pcLn 2015	94½	10.39	13.10	15 May 15 Nov	–
75	M'lysia 10¾pcLn 2009	95xd	11.39	23.12	31 Jan 31 Jul	–
50	Utd. Mexican States 16½pc 2008	115	14.20	24.1	1 Mar 1 Sep	–

CORPORATION LOANS

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
32	Birmingham 13½pc 1989	99½	13.30	20.4	20 May 20 Nov	1838
45	Do. 11½pc 2012	105½	10.85	14.4	15 May 15 Nov	1837
40	GLC 6¾pc 1990–92	88½xd	12.20	17.7	15 Feb 15 Aug	2647
40	Leeds 13½pc 2006	120[illegible]xd	10.84	11.9	1 Apr 1 Oct	3146
5	Liverpool 3½pc Irred.	31xd	–	1.9	1 Ja Apr Je Oc	3169
25	LCC 6¾pc '88–90	94½	11.90	14.7	10 Jan 10 Jul	3198
26	Do. 3pc '20 Aft.	28xd	–	1.8	1 Mar Jn S D	3197
7	Manchester 11½pc 2007	106½xd	10.70	31.3	25 Apr 25 Oct	3275

COMMONWEALTH & AFRICAN LOANS

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
14	NZ 7¼pc 1988–92	09	11.70	1.12	1 Jan 1 Jul	–
–	S Rhod 2½pc Non-Asstd.	206	–	–	1 Apr 1 Oct	–
4	Do. 4½pc 87–92 Asstd.	84½	9.33	14.7	7 Feb 7 Aug	–

LOANS

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
	Building Societies					
20	N'wide Anglia 12[illegible]pc 18.9.89	99[illegible]	16.20	21.8	12 Mar 18 Sep	–
20	Do. 12[illegible]pc 2.10.89	99[illegible]	13.74	27.2	2 Mar 2 Oct	–
20	Do. 11[illegible]pc 6.11.89	99[illegible]	13.98	31.[illegible]	30 Apr 6 Nov	–
20	Do. 12[illegible]pc 4.12.89	99[illegible]	14.05	26.4	25 May 4 Dec	–
20	Do. 12[illegible]pc 2.1.90	99[illegible]	14.03	30.5	2 Jan 26 Jun	–
20	Do. 12[illegible]pc 29.1.90	99[illegible]	14.02	23.6	29 Jan 23 Jly	–
–	Do. 12[illegible]pc 26.2.90	99[illegible]	14.05	21.7	26 Feb 20 Aug	–
–	Do. 12¾pc 19.3.90	99½	14.03	–	19 Mar 13 Sep	–
20	Do. 13¾pc 23.4.90	99[illegible]	14.03	–	23 Apr 17 Oct	–
20	Do. 13pc 14.5.90	99[illegible]	14.01		14 May 8 Nov	–
–	Do. 13[illegible]pc 4/6/90	99[illegible]	13.98	–	4 Jun 30 Nov	–
–	Do. 14[illegible]pc 2.7.90	100¼	13.81	–	2 Jly 26 Dec	–
–	Do. 13¾pc 23.7.90	99[illegible]	13.71			–
60	Do. 3¾pcIL Ln 2021	[illegible]	4.40	22.6	31 Jan 31 Jul	3465
	Public Board and Ind.					
25	Met. Wtr. 3pc 'B'	46xd	10.62	1.8	1 Mar 1 Sep	3361

FOREIGN BONDS & RAILS

Amount £m	Stock	Price £	Div % Gross	Yld	Last xd	Interest Paid	City-line
7	Greek 7pc Ass.	40	3.50	8.75	1.11	1 May 1 Nov	2753
4	Do. 6pc 28 Stb. Ass.	40xd	3	7.50	1.2	1 Feb 1 Aug	2762
–	Do 4pc Mixed Ass.	40xd	2	5.00	3.4	1 Apr 1 Oct	2761
1	Hung. '24 Ass.	80	2.75	3.57	3.5	1 May	2935
40	Hydro Quebec 15pc 2011	132[illegible]	15.00	11.03	27.10	31 Mar 30 Nov	–
30	Iceland 14½pc Ln 2016	123½xd	14.50	11.65	27.12	31 Jan 31 Jul	–
30	Ireland 9¾pc '91–96	92½xd	9.75	11.30	21.8	1 Mar 1 Sep	2002

AMERICANS

Market Cap. £m	Stock	Price £	Div Gross	Y'ld Gr's	Last xd	Dividends Paid	City-line
9,130.6	Abbott Laboratories‡	40½xd	$1.40	2.2	11.7	Fb My Ag Nv	1503
242.2	♦Allegheny & W 1c.	456p	30c	4.1	–	–	–
2,132.2	Amax $1.	17[illegible]xd	80c	2.9	7.8	Mr Jn Se De	1551
414.9	Ambase Corp $1	10[illegible]xd	20c	1.2	24.2	Jan Mar Jn [illegible]	2923
1,050.0	Amdahl 5c	10[illegible]	h10c	0.6	31.1	Mr Mr Jn Ag	–
3,250.7	Amer. Cyanamid $5.	35¼	$1.35	2.4	27.2	Mr Je Se De	–
11,423	Amer. Express 60c.	21[illegible]	84c	2.5	3.7	Fb My Ag Nv	1594
1,219.3	Amer. Medical Int. $1.	15	47.2c	3.0	9.1	Fb My Ag Nv	–
27,474.9	American T & T. $1	25[illegible]	$1.20	3.0	27.5	Fb My Ag Nv	1597
16,646.6	Ameritech $1	39	h$2.92	4.7	29.3	Fb My Ag Nv	–

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Money Market Bank Accounts

[illegible]

Money Market Trust Funds

[illegible]

UNIT TRUST NOTES

[illegible]

LONDON SHARE SERVICE

● For Latest Share Prices on any telephone ring direct-0836 43 + four digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

AMERICANS—Contd

Market Cap. £m	Stock	Price £	Div Gross	Y'ld Gr's	Last xd	Dividends Paid	City-line
17,967.9	Ford Motor $1	33½	$3.00	5.7	28.7	Mar Jun S O	2615
32,951.9	Gen. Elect. 63c	36	$1.64	2.9	7.6	Ja Ap Je Oc	2675
	General Host Corp $1	523p	30c	3.6	13.12	—	—
3,289.6	Gillette $1	28¼	96c	2.1	27.1	Mar Jun S O	2695
279.4	Gt. American Bank Bk $1	852p	20c	1.5	28.10	Fb My Ag No	—
888.7	Greyhound $1½	22½	$1.32	3.6	30.5	Ja Ap Jy De	2778
706.4	Hasbro Inc 50c	13⅛	16c	0.8	1.8	Ja Ma Au My	—
2,322.9	Honeywell $1½	53	$2.10	2.5	22.8	Mar Jun S O	2919
2,595.8	Houston Inds	11¼	$2.96	8.6	10.11	Mr Ju Se De	—
24,405.7	IBM Corpn $1¼	74½	$4.84	4.1	5.5	Mar Jun S O	2986
1.23	Image Storage/R Sys Inc	58p	—	—			2961
2,622.5	Ingersoll-Rand $2	30¼	$1.20	2.5	16.5	Mar Jun S D	2979
2,025.6	Lockheed Crpn $1	30¾	$1.80	3.7	15.2	Mar Jun S O	—
343.4	Lone Star Inds $1	20½	$1.90	5.8	30.8	May Se F Mar	3216
806.6	Louisiana Land 15c	26	$1.00	2.4	29.8	Mar Jun S O	3222
757.9	Lowe's 50c	19⅛	48c	1.6	11.7	Jan Ap Jly Oc	—
1,266.4	Manuf. Hanover $1	26⅛	$3.28	7.9	26.6	Jan Ap Jly Oc	3279
2,178.7	Merrill Lynch $1	28⅝	$1.00	3.1	31.10	Feb My Au N	3351
607.4	Molex Inc	2394p	3.2c	—	—	—	3397
4,581.8	Morgan (JP) $2½	25¼	$1.66	4.1	21.12	Jan Ap Jly O	3418
25,129.9	Morris (Phillip)	100⅛	$4.50	2.8	—	—	5161
10,875.2	NYNEX $1	50⅛	$4.36	5.4	27.6	F May Au N	4740
3.79	N'wide Legal Serv.	28p	—	—	—	—	5121
412.7	PHH Corp.	24⅝	$1.12	2.9	4.4	Ja Ap Jy Oct	—
—	Pacific Agr.	179p	—	—	—	—	—
1,880.3	Pacificorp $3¼	25⅞	$2.76	6.5	18.7	Feb My Ag Nv	—
12,432.1	Pacific Telesis 10c	28⅞	$1.88	4.1	12.85	Fe My Au No	—
795.5	Pall Corp. 25c	21⅛	48c	1.4	24.1	Fe My Au No	—
2,190.7	Pennzoil 83 1/3c	53⅛	$3.00	3.6	29.8	Mar Jun S D	3630
3,125.9	Quaker Oats $5	39⅛	$1.20	1.9	20.6	Jly Oc Jan Apr	3738
764.1	Rep NY Corpn $5	30⅝	$1.28	2.6	12.9	Jan Apr Jly O	3814
4,546.9	Rockwell Intl. $1	15⅝	78c	3.2	9.8	Mr Ju Se De	3847
8,181.5	Sears, Roebuck 75c	28⅟₁₆	$2.00	—	—	—	5191
20,716.9	Southwestern Bell $1	34⅛	$2.60	4.8	5.7	Fb My Ag No	—
2,701.3	Sun Co. Inc. $1	25⅛	$1.80	4.5	7.8	Mr Jn Se De	4135
1,802.6	TRW Inc. 62½c	30⅟₁₆	$1.72	3.6	8.8	Ma Ju Se De	4318
1,298.8	TW Services $5	24⅛	10c	0.3	11.11	Fe My Au No	—
5,709.6	Tenneco $5	38⅟₁₆	$3.04	5.0	8.8	Mr Ju Se De	4194
7,953.4	Texaco $6.25	32¼	$3.00	5.8	30.8	Mr Ja Se De	4200
2,568.7	Texas Instr. $1	25⅝	72c	1.8	27.6	J A J O	5033
7,950.7	Time Inc. $1	83⅝	$1.00	0.8	22.2	Mr Ju Se De	4234
636.5	TRINOVA Corp	18⅝	$68c	2.3	10.8	Mr Je Se De	4309
6,576.7	USX $1	11⅞	$1.40	4.1	2.5	Mr Ja Se De	4380
241.5	Unilab	260p	—	—	—	—	—
4,623.5	Utd. Technologies	35¼	$1.60	2.9	23.5	Mr Je Sp De	4381
—	Utilitech Inc	153p	—	—	—	—	—
8,816.3	US West	44	$3.76	5.4	14.4	Fb My Ag No	—
8,345.2	Waste Management $1	37	60c	1.0	16.6	Ap Jly Oc Jan	4439
1,353.9	Whirlpool $1	19½	$1.10	3.6	28.2	Mr Jn Se De	—
2,270.1	Whitman Corp	20¼	$1.02	3.2	6.6	Ap Jy De Ja	2951
2,733.8	Woolworth $3½	41⅝	$1.88	2.9	26.1	Mr Ja Se De	4540

CANADIANS

Market Cap. £m	Stock	Price £	Div Gross	Y'ld Gr's	Last xd	Dividends Paid	City-line
—	48M Gold Corp	163p	—	—	—	—	—
—	Abbot Energy Corp	26p	—	—	—	—	—
799.2	Amer. Barrick Res.	13⅝	—	—	—	—	—
—	Armeno	15½p	—	—	—	—	—
—	Augmitto Expln.	14½p	—	—	—	—	—
1,793.4	Bk. Montreal	17¼	$2.12	6.7	2.8	Fb My Ag Nv	—
1,647.8	Bk. Nova Scot.	937p	92c	5.3	30.6	Ja Ap Ju De	—
—	BC Gas $1	794p	60c	4.1	30.12	Fa My Au No	—
6,504.4	BCE	22¼	$2.44	6.0	12.6	Ap Jy De Ja	—
For Bow Valley see Oils & Gas							
1,077.8	Brascan	15⅝	88c	3.0	28.10	Ja Ap Jy De	—
29.6	Breakwater Res.	132p	10c	4.1	—	—	—

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES—Contd

ELECTRICALS

ENGINEERING

ENGINEERING—Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.)—Contd

INDUSTRIALS (Miscel.) — Contd.

INSURANCES

LONDON SHARE SERVICE

● For Latest Share Prices on any telephone ring direct-0536 43 + four digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING — Contd

[illegible]

PROPERTY

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES — Contd

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND — Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS — Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

MINES — Contd

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

8.36	Video Magic Leis 1p y	95	W2.0	2.8	–	Jan July	5071
7.08	Vista Ents 5p ...... y	7¼	–	–	–	–	3994
17.1	Vizcaya Hldgs 5p.. y	32	–	–	–	–	4193
66.0	Whitegate Leisure 20p y	43	–	–	–	–	1105
2.08	Do. Wrrnts......... y	31	–	–	–	–	1116
35.8	Wilton Group 1p... y	8	–	–	13.7	–	3628

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ✻ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. s Dividend and yield exclude a special payment. t Indicated dividend. u Forecast, or estimated annualised dividend rate. v Subject to local tax. y Dividend and yield based on merger terms. z Dividend and yield include a [illegible] based on prospectus or other official estimates for 1989. G Gross. R Forecast annualised dividend. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

Stocks previously listed under Shipping are now included in the Transport sector, as are others heretofore dispersed under several other headings.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p .. y	96	......	Arnotts................	422	......
Craig & Rose £1... y	830	......	Carrol (P.J.)........ y	155	......
Finlay Pkg 5p.... y	86	......	Hull (R. & H.).........	175	+3
Holt (Jos) 25p..... y	1352	+13	Helton Hldgs........ y	92xd	......
			Irish Ropes...........	212	......
			United Drug..........	145	......

IRISH

Cap. 8½% Ln 1991 ..	£96	......
9pc Cap Ln 1996..	£99¼	......
Fin. 13% 97/02...	£119	......

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons.	38
Amstrad	11
BAT	80
BOC Grp.	42
BSR	6½
BTR	32
Barclays	42
Blue Circle	24
Boots	25
Bowaters	44
Brit Aerospace	52
British Steel	7½
Brit. Telecom	21
Burton Ord.	18
Cadburys	46
Charter Cons	48
Comm Union	32
Courtaulds	30
FKI	14
FNFC	22
Gen Accident.	85
GEC	20
Glaxo	110
Grand Met.	48
GUS 'A'	90
Guardian	18
GKN	34
Hanson	16
Hawker Sidd	60
ICI	108
Jaguar	28
Ladbroke	28
Legal & Gen.	26
Lex Service	33
Lloyds Bank	29
Lucas Inds	58
Marks & Spencer	15
Midland Bk	30
Morgan Grenfell	[illegible]
Nat West Bk	25
P & O Dfd	55
Plessey	22
Polly Peck	26
Racal Elect	20
RHM	42
Rank Org Ord	80
Reed Intnl	34
STC	32
Sears	10
Smithkline Bchm A	58
TI	30
TSB	10
Tesco	14
Thorn EMI	58
Trust Houses	24
T&N	10
Unilever	46
Vickers	18
Wellcome	42

Property

Brit Land	32
Land Securities	52
MEPC	50
Randsworth	28

Oils

Brit Petroleum	21
Burmah Oil	50
Calor	35
Charterhall	2½
Premier	9
Shell	32
Ultramar	26

Mines

Cons Gold	150
Lonrho	30
RTZ	48

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £985 per annum for each security.

CURRENCIES, MONEY AND CAPITAL MARKETS

CURRENCIES AND MONEY REVIEW

Does the Fed want a weaker dollar?

SUPER FRIDAY - with its host of US statistics - is now behind us and has left the market asking: What does this tell us about the dollar, apart from the obvious short term answer that the currency is strong?

On publication of the trade figures for July the dollar immediately broke through resistance at DM1.9780 and threatened to establish a new trading range above DM2.00. Before the figures were announced the market was asking whether support at DM1.9640 and DM1.9400 would hold, but soon after publication the dollar was above DM2.00, even after - and some traders said because of - co-ordinated central bank intervention.

It looked as though the dollar might be running out of steam in the high DM1.99's, and was drifting back when the central banks came in to sell at DM1.9950. This pushed the currency a little lower, where the market decided it was a good opportunity to pick up cheap dollars, creating the impetus to surge through DM2.00.

The trade figures were unambiguously good, allowing the market to shrug off the implications of a slowing economy and an unexpected fall in the August Producer Price Index (PPI).

First glance at the PPI suggested inflation is not a problem, and the Federal Reserve could be tempted to ease its monetary stance, but a second look shows a very different picture.

The headline PPI figure fell 0.4 per cent, but stripping out food and energy prices it rose 0.5 per cent. There was a sharp fall in oil prices during the period, which now threatens to be reversed. This is, therefore, not a figure that will encourage the Fed to ease.

Other statistics tend to confirm this. August industrial production rose 0.3 per cent, against forecasts of 0.2 per cent and a revised gain of 0.1 per cent in July. Stronger than expected production was coupled with a higher than forecast level of capacity utilisation, suggesting that US industry is ticking over at a healthy rate and does not require the stimulus of lower interest rates.

We appear to have a situation where the trade position has improved, the economy is doing rather better than expected and there is no reason to be complacent about inflation. August US consumer prices will be published tomorrow and the year-on-year rate will probably remain around 5.0 per cent, although some optimists are looking for a figure as low as 4.7 per cent.

Friday's rise above DM2.00 was somewhat tentative. Stop loss buying orders at around DM2.0000 probably contributed to the currency's surge, before profit taking took its toll. If the dollar can consolidate above DM2.00 the next technical resistance point on the charts is not until DM2.0260; if this is broken, it could it up to DM2.0440.

This poses the question of what do the central banks do next? Tokyo was closed on Friday for a public holiday, but the Bank of Japan kept up relentless dollar sales during the rest of the week. This succeeded at one time in getting the dollar below Y146.00 and appeared to be aimed at insuring there was no threat of Y150.00 even if the US figures were good. In the event, this proved a successful strategy, but it would not be surprising if the Bank of Japan continues to run down its reserves this week.

Other central banks - 12 were involved on Friday - may feel a similar need, but with the US economy apparently performing so well there are some in the market who feel that the Fed has no strong reason to push the dollar down. If this is so it could lead to some interesting discussions at the Group of Seven/IMF meetings in Washington, beginning next weekend.

Colin Millham

£ IN NEW YORK

Sep.15	Close	Previous Close
£ Spot	1.5650-1.5670	1.5530-1.5540
1 month	0.63-0.61pm	0.64-0.62pm
3 months	1.87-1.84pm	1.84-1.78pm
12 months	6.70-6.55pm	6.75-6.65pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Sep.15	Previous
8.30 am	91.3	91.3
9.00 am	91.3	91.3
10.00 am	91.2	91.2
11.00 am	91.1	91.3
Noon	91.2	91.3
1.00 pm	91.2	91.3
2.00 pm	90.9	91.2
3.00 pm	91.0	91.2
4.00 pm	91.1	91.3

CURRENCY RATES

Sep.15	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	[illegible]	[illegible]	[illegible]
U.S. Dollar	7	[illegible]	[illegible]
Canadian $	12.36	[illegible]	[illegible]
Austrian Sch.	[illegible]	[illegible]	[illegible]
Belgian Franc	7.75	[illegible]	[illegible]
Danish Krone	9.5	[illegible]	[illegible]
Deutsche Mark	5.00	[illegible]	[illegible]
Neth Guilder	6.00	[illegible]	[illegible]
French Franc	9.5	[illegible]	[illegible]
Italian Lira	13½	[illegible]	[illegible]
Japanese Yen	3¼	[illegible]	[illegible]
Norway Krone	8	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]
Swedish Krona	9½	[illegible]	[illegible]
Swiss Franc	5.5	[illegible]	[illegible]
Greek Drach.	20½	[illegible]	[illegible]
Irish Punt	[illegible]	[illegible]	[illegible]

§ Sterling quoted in terms of SDR and ECU per £. † European Commission Calculations. * All SDR rates are for Sep.14

CURRENCY MOVEMENTS

Sep.15	Bank of England Index	Morgan Guaranty Changes %
Sterling	91.1	-19.4
U.S. Dollar	73.1	-5.4
Canadian Dollar	108.8	+1.1
Austrian Schilling	106.1	+9.4
Belgian Franc	109.6	-4.2
Danish Kroner	102.9	-3.9
Deutsche Mark	112.6	+19.8
Swiss Franc	105.5	+15.9
Guilder	109.8	+12.9
French Franc	99.2	-15.4
Lira	99.3	-18.7
Yen	135.4	+65.0

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100) *Rates are for Sep.14

OTHER CURRENCIES

Sep.15	£	$
[illegible]	[illegible]	[illegible]

*Selling rate

EURO-CURRENCY INTEREST RATES

Sep.15	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sw. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Deutschmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fr. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B. Fr. (Fin)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B. Fr. (Con)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years 8¾-8⅝ per cent; three years 8¾-8⅝ per cent; four years 8¾-8⅝ per cent; five years 8¾-8⅝ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Sep.15	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.539	3.078	228.8	10.38	2.655	3.470	2206	1.830	64.30
$	0.650	1	2.000	148.7	6.745	1.725	2.255	1433	1.189	41.78
DM	0.325	0.500	1	74.33	3.372	0.863	1.127	716.7	0.595	20.89
YEN	4.371	6.725	13.45	1000.	45.37	11.60	15.17	9642	7.998	281.0
F Fr.	0.963	1.483	2.965	220.4	10.	2.558	3.343	2125	1.763	61.95
S Fr.	0.377	0.580	1.159	86.18	3.910	1	1.307	830.9	0.689	24.22
H Fl.	0.288	0.444	0.887	65.94	2.991	0.765	1	635.7	0.527	18.53
Lira	0.453	0.698	1.395	103.7	4.705	1.204	1.573	1000.	0.830	29.15
C $	0.546	0.841	1.682	125.0	5.672	1.451	1.896	1205	1	35.14
B Fr.	1.555	2.393	4.787	355.8	16.14	4.129	5.397	3431	2.846	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

MONEY MARKETS

Frankfurt expects higher rates

IF IT can now be assumed that the US Federal Reserve will not relax its monetary stance in the near future and that countries like Britain, Italy and Spain will continue to operate high interest rate policies it tends to increase the problems of strong economies with low interest rates, such as West Germany and Japan.

UK clearing bank base lending rate 14 per cent from May 24

The protection afforded by the European Monetary System makes lira and peseta investments relatively safe and more rewarding than D-Mark investments. The German economy is strong, with growth in Gross National Product of around 4 per cent probable this year. Inflation is low at under 3 per ceot, but if the D-Mark continues to weakeo against the dollar the risk of importing inflation will increase.

Mr Karl Otto Pöhl, President of the Bundesbank, made it clear last week he is unhappy abont the value of the German currency, increasing speculation that an increase in official interest rates is imminent. There will be an opportunity when the Bundesbank council meets on Thursday, bnt the political implications of such a move, at the same time as the Gronp of Seven prepares to meet in Washington, might cause a delay. Nevertheless a rise in rates is already discounted in theFrankfurt money market.

Japanese officials tried to talk the dollar down last week, with warnings about rising inflation from a weak yen and the possibility of increased central hank intervention. The Bank of Japan denied it is considering tightening its monetary policy, but that was before the US trade figures.

POUND SPOT - FORWARD AGAINST THE POUND

Sep.15	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5350 - 1.5695	1.5380 - 1.5390	[illegible]	[illegible]	[illegible]	[illegible]
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
W. Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ecu	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. Belgian rate is convertible francs. Financial franc 64.40-64.50. Six-month forward dollar 3.65-3.60cpm 12 months 6.60-6.50pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Sep.15	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5350 - 1.5695	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
W. Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. † UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 41.80-41.85.

FT LONDON INTERBANK FIXING

(11.00 a.m. Sep.15)	3 months US dollars		6 months US Dollars	
	bid 8¾	offer 8⅞	bid 8⅞	offer 8⅞

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (4pm) — Treasury Bills and Bonds

Prime rate	10½	One month	[illegible]	Three year	[illegible]
Broker loan rate	10¼	Two month	[illegible]	Four year	[illegible]
Fed.funds	9¼	Three month	[illegible]	Five year	[illegible]
Fed.funds at intervention		Six month	[illegible]	7 year	[illegible]
		One year	[illegible]	10 year	[illegible]
		Two year	[illegible]	30-year	[illegible]

Sep.15	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Paris	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Zurich	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amsterdam	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tokyo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Milan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brussels	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON MONEY RATES

Sep.15	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Interbank Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Bonds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Mkt Deps	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Company Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finance House Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bank Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fine Trade Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dollar CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Treasury Bills (sell); one-month 13½ per cent; three months 13¼ per cent; Bank Bills (sell); one-month 13½ per cent; three months 13⅛ per cent. Treasury Bills; Average tender rate of discount 13.4463 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day August 31, 1989. Agreed rates for period September 26 to October 24, 1989, Scheme I: 14.76 p.c. Scheme II & III: 15.16 p.c. Reference rate for period August 1 to August 31, 1989, Scheme IV&V: 13.880 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 14 from September 1, 1989: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 10½ per cent; one-three months 12 per cent; three-six months 12 per cent; six-nine months 12 per cent; nine-twelve months 12 per cent; Under £100,000 10½ per cent from May 25, 1989. Deposits withdrawn for cash 5 per cent.

BANK OF ENGLAND TREASURY BILL TENDER

	Sep.15	Sep.8		Sep.15	Sep.8
Bills on offer	£500m	£500m	Top accepted rate of discount	[illegible]	[illegible]
Total of applications	[illegible]	[illegible]	Average rate of discount	[illegible]	[illegible]
Total allocated	£500m	£500m	Average yield	[illegible]	[illegible]
Minimum accepted bid	[illegible]	[illegible]	Amount on offer at next tender	£500m	£500m
Allotment at minimum level	[illegible]	[illegible]	Minimum accepted rate for 182 days	[illegible]	[illegible]

WEEKLY CHANGE IN WORLD INTEREST RATES

	Sep.15	change		Sep.15	change
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS — Figures in parentheses show number of stocks per grouping	FRIDAY SEPTEMBER 15 1989: US Dollar Index	% change since Dec.30 '88	Pound Sterling Index	Local Currency Index	% change local currency since Dec.30 '88	Gross Div. Yield	THURSDAY SEPTEMBER 14 1989: US Dollar Index	Pound Sterling Index	Local Currency Index	DOLLAR INDEX: 1989 High	1989 Low	Year ago (approx)
Australia (85)	153.18	+6.0	147.61	132.14	+17.4	4.82	154.13	146.53	132.04	157.14	128.28	142.15
Austria (18)	146.35	+52.5	141.03	152.28	+71.8	1.61	148.93	141.59	152.29	150.67	92.84	88.85
Belgium (63)	134.03	-0.8	129.16	136.49	+11.3	3.99	135.79	129.10	138.14	137.97	125.58	116.81
Canada (123)	147.09	+17.2	141.75	126.54	+16.8	3.19	147.40	140.13	126.43	153.59	124.67	116.11
Denmark (36)	191.92	+12.6	184.94	202.55	+27.4	1.57	197.35	187.62	204.66	219.89	165.35	124.89
Finland (26)	128.29	-2.0	123.65	121.04	+5.9	2.27	131.38	124.88	122.10	159.18	125.81	118.21
France (126)	129.23	+12.3	124.53	136.73	+25.1	2.75	130.93	124.48	136.43	133.44	112.57	94.37
West Germany (95)	95.03	+8.0	91.58	98.81	+21.8	2.06	96.57	91.61	98.85	100.53	79.56	77.88
Hong Kong (46)	110.11	-1.5	106.10	110.89	-1.5	5.03	110.11	104.68	110.39	140.33	86.41	99.99
Ireland (17)	149.50	+18.3	143.88	157.68	+27.8	2.80	152.91	145.37	158.89	166.69	125.00	127.55
Italy (97)	93.07	+9.3	89.68	99.67	+20.0	2.29	93.25	88.65	98.42	96.73	74.97	89.89
Japan (455)	175.79	-8.2	169.40	163.29	+9.2	0.48	178.37	169.57	165.23	200.11	164.22	160.27
Malaysia (36)	199.41	+38.0	192.17	207.90	+38.9	2.47	199.92	190.06	207.97	199.92	143.35	138.50
Mexico (13)	311.88	+92.7	300.54	879.75	+117.4	0.57	308.76	293.54	870.97	321.99	153.32	153.18
Netherland (43)	125.75	+11.9	121.18	129.43	+26.0	4.03	126.94	120.68	128.53	130.67	110.63	102.79
New Zealand (20)	83.90	+24.1	80.85	75.86	+33.3	4.82	84.38	80.20	75.93	88.18	62.64	71.43
Norway (24)	184.39	+32.7	177.68	181.33	+46.5	1.43	184.84	175.72	179.76	198.39	139.92	111.60
Singapore (26)	165.27	+32.1	159.27	151.20	+35.0	1.85	165.89	157.70	151.21	170.62	124.57	121.89
South Africa (60)	154.42	+32.2	148.81	135.29	+37.7	4.18	156.22	148.52	136.02	157.59	115.35	101.18
Spain (43)	157.09	+5.9	151.38	148.52	+18.6	3.46	160.72	152.79	149.58	160.94	143.14	138.85
Sweden (35)	175.30	+21.9	168.69	175.99	+33.8	1.96	177.55	168.80	174.40	188.94	138.45	115.00
Switzerland (64)	86.60	+10.9	83.45	92.66	+27.4	2.04	87.72	83.40	92.37	94.16	67.81	75.09
United Kingdom (306)	149.63	+10.8	144.19	144.18	+30.0	4.11	152.59	145.07	145.07	158.41	133.28	123.21
USA (549)	140.21	+23.9	135.11	140.21	+23.9	3.27	139.56	132.68	139.56	143.84	112.13	110.55
Europe (997)	126.42	+10.2	121.83	126.83	+26.2	3.26	128.45	122.11	126.99	132.52	112.63	101.75
Nordic (121)	163.35	+17.0	157.41	159.58	+29.5	1.78	165.84	157.66	159.68	178.38	137.95	109.06
Pacific Basin (670)	172.54	-7.4	168.27	161.94	+8.4	0.73	174.96	168.33	161.93	194.72	160.44	157.15
Euro-Pacific (1667)	154.22	-2.2	148.61	147.78	+14.4	1.57	156.48	148.77	147.84	166.98	141.56	135.00
North America (672)	140.52	+23.4	135.41	139.35	+23.4	3.27	139.93	133.09	138.74	144.24	112.79	110.94
Europe Ex. UK (691)	111.60	+8.8	107.54	118.06	+23.0	2.64	113.08	107.50	115.81	116.28	96.30	88.29
Pacific Ex. Japan (215)	133.28	+7.0	126.43	120.56	+13.0	4.56	133.83	127.23	120.50	137.65	111.93	119.62
World Ex. US (1863)	154.07	-1.3	148.47	147.18	+14.7	1.65	156.26	148.56	147.24	166.35	141.49	134.09
World Ex. UK (2106)	147.93	+5.8	142.56	144.84	+16.3	2.01	148.93	141.59	144.54	155.66	136.98	125.09
World Ex. So. Af. (2352)	148.03	+5.9	142.65	144.82	+17.4	2.18	149.20	141.84	144.63	155.92	136.67	125.06
World Ex. Japan (1957)	135.24	+17.9	130.33	134.48	+24.1	3.33	135.71	129.01	134.19	138.29	114.51	107.97
The World Index (2412)	148.07	+6.0	142.69	144.75	+17.5	2.18	149.24	141.88	144.57	155.89	136.68	124.81

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.85 (US $ index), 114.45 (Pound Sterling) and 123.22 (Local).
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Markets closed September 15: Hong Kong and Japan.
CONSTITUENT CHANGE: Deletion: Plessey (UK) (11/9/89).

EUROPEAN OPTIONS EXCHANGE

Series		Vol	Last	Vol	Last	Vol	Last	Stock
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TOTAL VOLUME IN CONTRACTS: 58,952

A=Ask B=Bid C=Call P=Put

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price p	+or-	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price £	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price p	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

BASE LENDING RATES

	%		%		%
ABN Bank	14	City Merchants Bank	14	Mount Banking	14
Adam & Company	14	Clydesdale Bank	14	Nat Bk. of Kuwait	14
Allied Trust Bank	14	Comm. Bk. N. East	14	NatWestminster	14
Allied Irish Bank	14	Co-operative Bank	*14	Northern Bank Ltd	14
● Henry Ansbacher	14	Coutts & Co	14	Norwich Gen. Trust	14
Associates Cap Corp	14	Cyprus Popular Bk	14	PRIVATbanken Limited	14
Authority Bank	14	Dunbar Bank PLC	14	Provincial Bank PLC	15
● B & C Merchant Bank	14	Duncan Lawrie	14	R. Raphael & Sons	14
Bank of Baroda	14	Equatorial Bank plc	14	Roxburghe G'rantee	14½
Banco Bilbao Vizcaya	14	Exeter Trust Ltd	14½	Royal Bk of Scotland	14
Bank Hapoalim	14	Financial & Gen. Bank	14	Royal Trust Bank	14
Bank Credit & Comm	14	First National Bank Plc.	15	● Smith & Williamson Secs.	14
Bank of Cyprus	14	● Robert Fleming & Co.	14	Standard Chartered	14
Bank of Ireland	14	Robert Fraser & Ptnrs.	14½	TSB	14
Bank of India	14	Girobank	14	United Bk of Kuwait	14
Bank of Scotland	14	● Guinness Mahon	14	United Mizrahi Bank	14
Banque Belge Ltd	14	HFC Bank plc	14	Unity Trust Bank Plc	14
Barclays Bank	14	● Hambros Bank	14	Western Trust	14
Benchmark Bank PLC	14	Hampshire Trust Plc	14½	Westpac Bank Corp.	14
Brit Bk of Mid East	14	Heritable & Gen Inv Bnk.	14	Whiteaway Laidlaw	14
● Brown Shipley	14	● Hill Samuel	§14	Yorkshire Bank	14
Business Mtge Tst	14½	C. Hoare & Co.	14		
CL Bank Nederland	14	Hongkong & Shangh	14		
● Charterhouse Bank	14	● Leopold Joseph & Sons	14		
Citibank NA	14	Lloyds Bank	14		
		McDonnell Douglas Bnk	14		
		Meghraj Bank Ltd	14		
		Midland Bank	14		

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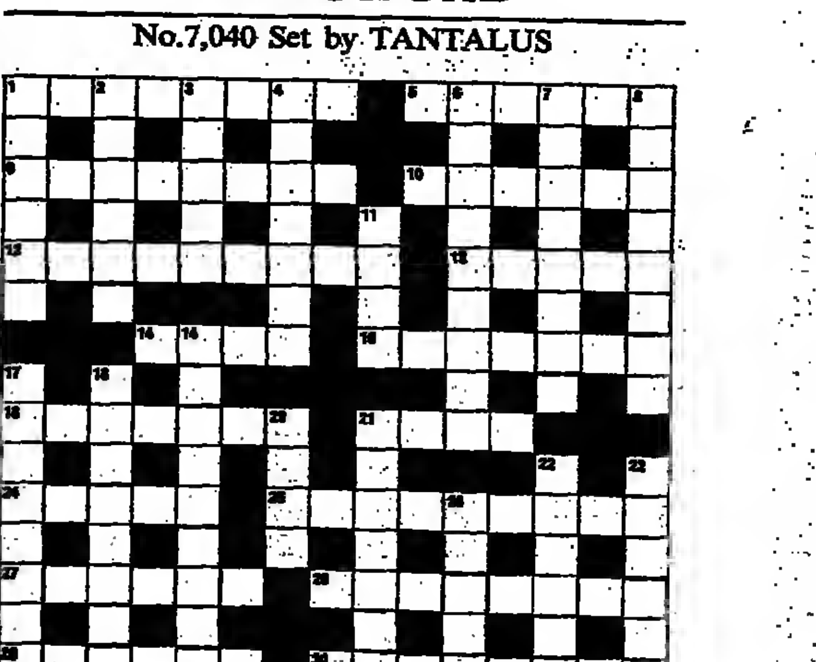
JOTTER PAD

CROSSWORD

No.7,040 Set by TANTALUS



ACROSS
1 Latvian capital has party - so going back to dance (8)
5 Extend a feast (6)
9 Well known member of a pope's household (8)
10 Cycles with friends entertaining journalist (6)
12 Game I lost stupidly by the river (9)
13 Bury together (5)
14 Fresh pair of horses (4)
16 Mole may turn into a tumour (7)
19 29 reply (7)
21 Girl going to hospital for course (4)
24 After that time, it is wrong going to church (5)
25 Music maker annoyed with invoice (9)
27 Doctor tense seeing mechanical device in water (6)
28 He rebels noticing Greek character always after money (8)
29 Go to tourist centre (6)
30 Aware; tennis team played, but not early (8)

DOWN
1 Do not accept rubbish (6)
2 Medico in bad weather takes a risk (6)
3 Leading dealer felt rare earthenware (5)
4 Love to share this speech (7)
6 Gentle inhabitant becomes chief of state (9)
7 Harsh demand once start of play is on (8)
8 Underworld display causes confusion (8)
11 Indolent traveller? (6)
15 Time at school for technical expression (4)
17 Campaign right for militarist (8)
18 Fishing lures cricketers (8)
20 Some let children design on metal (4)
21 Supply foodstuffs (7)
23 Two soldiers find ancient boat (6)
25 Wine from Irish county to taste first (6)
26 Quick worker (5)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday September 30.

WORLD STOCK MARKETS

AUSTRIA

BELGIUM/LUXEMBOURG

DENMARK

FINLAND

FRANCE

JAPAN

FRANCE (continued)

GERMANY

GERMANY (continued)

ITALY

ITALY (continued)

NETHERLANDS

NORWAY

SPAIN

SWEDEN

SWITZERLAND

SOUTH AFRICA

AUSTRALIA

AUSTRALIA (continued)

HONG KONG

SINGAPORE

CANADA

TORONTO
4pm prices September 14

MONTREAL
4pm prices September 14

Total Sales 5,698,573 shares.

INDICES

NEW YORK DOW JONES

	Sep 15	Sep 14	Sep 13	Sep 12	1989 High	1989 Low	Since compilation High	Since compilation Low
♦Industrials	2674.58	2664.89	2679.52	2707.26	2752.09 (1/9)	2144.64 (3/1)	2752.09 (1/9/89)	41.22 (2/7/32)
Home Bonds	93.01	92.96	92.94	92.96	94.15 (2/8)	87.35 (23/3)	-	-
Transport	1439.72	1443.28	1469.24	1477.06	1532.01 (5/9)	959.95 (3/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	215.54	213.78	214.10	215.92	221.64 (8/8)	181.84 (24/2)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2695.67 (2690.16) Low 2643.05 (2647.61)

STANDARD AND POOR'S	Sep 15	Sep 14	Sep 13	Sep 12	1989 High	1989 Low	Since compilation High	Since compilation Low
Composite ‡	345.06	343.16	345.46	348.70	353.73 (1/9)	275.31 (3/1)	353.73 (1/9/89)	4.40 (1/6/32)
Industrials	394.35	392.64	395.38	399.24	405.27 (1/9)	318.66 (3/11)	405.27 (1/9/89)	3.62 (21/6/32)
Financial	32.76	32.68	32.98	33.34	33.59 (7/8)	24.30 (3/1)	33.59 (7/8/89)	8.64 (1/10/74)
NYSE Composite	191.59	190.95	192.29	193.88	196.37 (1/9)	154.98 (3/1)	196.37 (1/9/89)	4.46 (25/4/42)
Amex Mkt. Value	379.64	380.94	383.77	384.54	384.54 (12/9)	305.24 (3/1)	384.54 (12/9/89)	29.31 (9/12/72)
NASDAQ Composite	467.57	468.78	471.83	471.86	471.86 (12/9)	378.56 (3/1)	471.86 (12/9/89)	54.87 (31/10/72)

	Sep 8	Aug 25	Aug 18	year ago (approx.)
Dow Industrial Div. Yield	3.70	3.39	3.44	3.71
	Sep 13	Sept 6	Aug 30	year ago (approx.)
S & P Industrial div. yield	2.89	2.86	2.83	3.24
S & P Indl. P/E ratio	14.46	14.61	14.67	12.80

TRADING ACTIVITY † Volume Millions

	Sep 15	Sep 14	Sep 13
New York	236.810	150.799	177.278
Amex	13.428	12.396	14.921
OTC	130.917	142.031	159.935

NEW YORK	Sep 15	Sep 14	Sep 13
Issues Traded	1,973	1,983	1,969
Rises	633	396	549
Falls	824	1,108	908
Unchanged	516	479	512
New Highs	22	14	86
New Lows	27	28	14

CANADA TORONTO	Sep 15	Sep 14	Sep 13	Sep 12	1989 High	1989 Low
Metals & Minerals	3704.1	3696.1	3707.7	3731.3	3919.2 (1/9)	3207.5 (3/1)
Composite	3896.3	3891.2	3917.0	3927.6	4019.7 (10/8)	3350.5 (6/1)
MONTREAL Portfolio	1995.70	1994.69	2006.51	2012.93	2053.80 (1/9)	1677.48 (3/1)

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Exxon	3,407,900	44⅞	+ ⅛	Gen Motors	1,952,700	49¼	+ ¾
Am T & T	3,299,300	40⅛	+ ⅜	UAL	1,937,300	279¼	− ⅛
Gen Electric	2,736,200	57¼	+ 1⅜	Usx Corp	1,913,500	34⅛	+ ⅝
Amr Corp	2,165,300	75⅞	− 1¼	Eastman Kodak	1,805,100	47¼	− ⅜
IBM	2,053,800	115½	− ⅛	Ford Motor	1,773,600	52	− ⅛

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Sep. 15	Sep. 14	Sep. 13	Sep. 12	1989 High	1989 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1733.8	1733.0	1734.2	1741.3	1781.8 (29/8)	1412.9 (7/4)
All Mining (1/1/80)	846.8	843.7	849.6	855.5	875.1 (29/8)	652.6 (7/4)
AUSTRIA						
Credit Aktien (30/12/84)	435.25	434.18	436.62	440.03	440.76 (11/9)	219.5 (2/1)
BELGIUM						
Brussels SE (1/1/80)	6700.70	6676.81	6647.21	6612.11	6700.70 (15/9)	5519.30 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	335.74	337.67	337.35	335.53	356.65 (12/7)	275.49 (27/2)
FINLAND						
Unitas General (1975)	743.5	747.6	747.6	751.2	815.8 (18/4)	723.3 (4/1)
FRANCE						
CAC General (31/12/82)	538.1	538.4	540.3	539.3	540.9 (11/9)	417.9 (4/1)
Ind. Tendance (30/12/88)	125.9	124.7	125.6	125.5	125.9 (6/9)	97.5 (27/2)
GERMANY						
FAZ Aktien (31/12/58)	667.98	668.27	668.48	677.18	685.92 (8/9)	535.78 (27/2)
Commerzbank (1/12/53)	1996.4	1997.8	1997.7	2023.2	2052.1 (8/9)	1595.7 (27/2)
DAX (30/12/87)	1595.31	1612.25	1609.66	1625.90	1657.61 (8/9)	1271.70 (23/2)
HONG KONG						
Hang Seng Bank (31/7/64)	(c)	2612.82	2592.14	2610.15	3309.64 (15/5)	2093.61 (5/6)
ITALY						
Banca Com. Ital. (1972)	726.20	720.96	715.26	715.52	734.84 (31/8)	577.49 (28/2)
JAPAN						
Nikkei (16/5/49)	(c)	34401.88	34286.94	34332.8	35140.63 (21/8)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	(c)	2618.43	2599.16	2595.85	2659.08 (21/8)	2366.91 (6/1)
NETHERLANDS						
CBS Tdl.Rtn.Gen. (End 1983)	270.3	269.8	271.2	270.0	271.6 (8/9)	208.3 (3/1)
CBS All Shr (End 1983)	209.5	209.0	210.1	209.2	210.5 (8/9)	166.7 (1/3)
NORWAY						
Oslo SE (2/1/83)	687.06	680.15	671.46	670.18	687.06 (15/9)	467.17 (2/1)
SINGAPORE						
Straits Times Ind. (30/12/66)	1411.81	1411.30	1420.52	1413.42	1420.52 (13/9)	1030.69 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1563.0♦	1577.0	1560.0	1549.0	1685.0 (3/8)	1291.0 (15/2)
JSE Industrial (28/9/78)	2727.0♦	2733.0	2738.0	2748.0	2838.0 (25/8)	1961.0 (3/1)
SPAIN						
Madrid SE (30/12/85)	324.82	327.33	328.93	327.72	328.93 (13/9)	268.61 (1/3)
SWEDEN						
Jacobson & P. (31/12/56)	4357.8	4366.2	4389.9	4425.1	4660.3 (16/8)	3333.9 (3/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	804.4	799.0	807.6	815.7	829.1 (6/9)	613.1 (3/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	527.2	526.7	528.3	551.2 (3/8)	487.6 (13/6)

♦ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia, All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Thursday September 14 1989

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	13.5m	787	+1	MHI	8.0m	1,150	+10
Sekisui House	12.9m	2,460	+40	Kobe Steel	8.0m	723	-1
Nippon Soda	10.0m	1,300	+20	KHI	6.9m	1,070	+20
Shokusan Jutaku	9.5m	1,400	+30	Hanshin Elec Rlwy	6.8m	979	+27
Hazama	9.0m	1,620	+90	Kawasaki Steel	6.4m	830	0

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4pm prices September 15

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		— A — A — A —								
20¼	21¼	AAR	.44	1.3	22	118	34⅞	34	34	− ½
10	8½	ACM u	1.01	11.		131	9⅛	8⅞	9⅞	− ⅛
11⅜	10¼	ACMIn	1.22a	11.		820	11⅛	11⅜	11⅜	− ⅛
10⅝	8½	ACM M	n1.01	12.		625	8⅞	8½	8¾	− ¼
11½	10	ACM Sc	1.26	11.		1229	11⅛	11	11	− ⅛
9¼	8¼	ACMSb	1.01	11.		620	9⅛	9	9⅛	+ ⅛
16	11½	AL Lab	.12	.7	18	16	16½	16½	16½	+ ¼
4⅛	3⅛	AMCA	.12e	3.3	24	21	3⅝	3½	3⅝	
6⅞	4½	AM Intl				1301	5⅝	5½	5½	
23½	20⅜	AM In pf	2	9.2		12	21⅞	21¾	21⅞	
98	45	AMR			9	21053	10	76½	75⅞	−1⅛
7¼	3⅝	ARX				04	3⅞	3¾	3¾	− ¼
44¼	35½	ASA	3a	7.1		600	42½	41¼	42⅛	+ ⅜
22¾	15¼	AVX	.24	1.2	9	270	20⅝	20	20	− ⅜
66	44⅜	AbtLab	1.40	2.2	10	5801	63	62¼	62⅞	+ ½
18¾	13⅞	Abitibi g	1			168	15	14⅝	14¾	− ¼
13	7½	AcmeC	.40	3.8		242	10¾	10⅜	10½	+ ¾
9¼	8⅞	AcmeE	.32	3.4	11	26	9½	9¼	9⅜	
34⅞	20¾	Acusn			23	186	31⅞	31½	31¾	+ ¼
17	14¼	AdaEx	1.82e	11.		225	16⅝	16⅜	16½	− ⅛
12⅝	6½	Adobe				128	11⅛	11¼	11⅛	− ½
19⅝	16½	Adob pf	1.84	9.6		0	19¼	19¼	19¼	− ⅜
21⅝	19⅞	Adob pf	2.40	11.		68	21¼	20⅞	20⅞	− ¼
11¼	7⅛	AMD				3364	8⅞	8⅝	8¾	
36	28¼	AMD pf	3	9.8		15	31½	31⅛	31⅛	

Continued on Page 43

NYSE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
Continued from previous Page										
93¾	81½	PSin pf8.52		9.5		z50	90	90	90	+1
0½	3½	vjPSNH			43	1988	4⅛	4⅛	4⅛	
17¼	6	vjPSNH pf				z1580	16¼	16	16	−¼
17⅛	7⅝	vjPNH pfB				34	16¼	16	19	
38	9	vjPNH pfC				34	19⅝	19	19¼	+¼
16⅞	7⅞	vjPNH pfD				46	17⅝	16¾	17	−1
18⅞	7⅝	vjPNH pfE				32	18	17½	17½	−⅝
18	7	vjPNH pfF				16	17	16½	16½	−⅝
18¼	7⅛	vjPNH pfG				16	17⅞	17¼	17⅛	−⅞
13⅞	10¼	PSvNM	.86			943	14¼	14½	14½	
26½	22⅝	PSEG	2.04	7.8	10	3650	26¼	25⅞	26⅛	+⅛
77	65½	PSEG pf6.80		8.9		126	75⅞	75⅞	75⅞	+⅛
87	78	PSEG pf8.08		9.6		z116	84	84	84	−½
85½	73¾	PSEG pf7.52		9.0		100	83¼	83¼	83¼	+1¼
84	72¼	PSEG pf7.40		9.9		z220	82½	82	82½	+1½
3⅝	2	Publick				12	2⅛	2⅛	2⅛	−⅛
52¼	39½	PR Cem	.68a	1.3	6	8	50¼	50¼	50¼	
22¼	18	PugetP	1.76	8.2	10	271	21⅝	21½	21½	
8⅞	7½	PHICS	.85	11.		178	7⅞	7½	7½	−⅛
10⅞	9⅝	PHYM	n .78	7.9		171	9⅞	9⅝	9⅞	+⅛
9⅝	8⅝	PIGIT	1.01	11.		931	9	8⅞	9	+⅛
10¼	9⅞	PMMI	n.75a	7.7		380	9¾	9⅝	9¾	
8½	8⅛	PMIT	1.03a	12.		891	8⅝	8½	8½	−⅛
9¼	8¼	PMIT	1.10a	12.		469	9⅛	9¼	9¼	

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
69	69⅝	Xerox	3	4.6	15	4446	66½	64½	66½	+⅝
44¼	23⅝	XTRA	.72	2.3	10	122	31⅝	31	31⅛	−¼
38	24½	XTRA pf1.94		7.6		9	25⅞	25½	25½	−½
4¼	2	Zapata				111	2⅝	2½	0½	
15½	10½	Zemex	.40	3.7	19	2	10¾	10⅞	10¾	−⅛
22⅝	14⅞	ZenithE				1162	15¼	14⅞	18	−⅛
10⅞	6¼	Zeninc	1.26	14.		506	8⅞	8½	6⅝	+⅝
0¾	1⅛	vjZenLb				1463	1⅝	1⅝	1⅝	
21½	15	ZenNtl	.84	4.3	0	110	19½	19⅝	19½	
16½	11⅛	Zero s	.40	3.2	17	142	16½	18	16⅛	+¼
44⅝	23⅝	Zurnls	.68	1.8	10	1106	36⅝	36⅛	36½	+¼
12	10	Zweig	1.08e	9.3		485	11⅛	11⅝	11⅝	+⅝
16⅝	3⅞	Zweig s	.96	10.		1634	9½	6⅞	9½	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

AMEX COMPOSITE PRICES

4pm prices
September 15

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Pittway	1.60	13	308	102½	102½	102½	+¼
PlyGem	.72	13	167	18⅞	18½	18½	
Presd B		156	10	6⅛	6¼	6⅛	−⅝
Presd A	.16		682	7¼	7⅛	7⅛	+⅝

OVER-THE-COUNTER

Nasdaq national market, 4pm prices September 15

The Business Column

Reciprocity and the art of the deal

One by-product of Europe's current binge of cross-border mergers and acquisitions has been to focus attention on the vexed question of take-over reciprocity. British businessmen, eyeing the array of bid-proofing devices sheltering publicly quoted companies elsewhere in Europe, have been quick to cry foul. Why, they complain, should continental companies be free to mount hostile bids against us, when we can't do the same to them?

Unfair this asymmetry may be, but it is unclear how much it really matters in the great race to buy up European industry before 1992. For the British with their open stock market seem to have been more than holding their own against countries where bid-proofing is widespread.

According to 1992 M&A Monthly, a specialist publication, UK acquirers did 30 deals with a disclosed value of Ecu 1.1bn (£740m) in West Germany in the first seven months of this year, dwarfing the six deals worth Ecu 80m by German buyers in Britain. The imbalance in Britain's favour was more pronounced vis-à-vis the Netherlands, also notorious for impenetrable take-over defences.

These figures need to be treated with care. The list may not be definitive, the period covered is quite short, and the pattern can easily be distorted by one or two really big deals. However, there is a deeper point, particularly relevant to Germany.

Hunting ground

Even if there were no bid-proofing there, German stock exchanges would offer relatively limited opportunities for acquisition. Only about 600 companies are quoted on them, a third the number of UK firms listed in London, while their capitalisation is equivalent to only a fifth of gross domestic product, compared with more than four fifths in the UK.

The really rich hunting ground in Germany is among the many privately owned smaller firms which make up the backbone of the industrial economy. As some UK acquirers have discovered, there is no shortage of owners ready to sell.

Yes, it may be argued, but it is still unfair that German bidders are free to gobble up even the biggest UK firms. Yet in practice they have been conspicuously reticent about doing so — in Britain or anywhere else. Indeed, 1992 M&A Monthly ranks Germany only eighth among cross-border acquirers in Europe, behind Sweden, Finland and even Japan.

There are several apparent explanations. German industry has little experience with public tender offers, even at home. Furthermore, with a few notable exceptions, such as chemicals, its post-war success has been based predominantly on exports, rather than on multinational manufacturing networks.

Signs of change

When German manufacturers have invested abroad, they have often preferred to do so by setting up greenfield plants. Several widely publicised problem acquisitions, such as Thyssen's take-over a decade ago of Budd, the US engineering group, have underlined the risks of buying a going concern.

None the less, there are cautious signs of change. Volkswagen has taken over Seat, the Spanish carmaker, while Henkel and Benckiser have been buying up household and personal care products companies all over Europe. More recently, Siemens's role in the battle for Plessey is a rare example of a German company mounting a hostile bid abroad, albeit under cover of a local partner.

Germany's high labour costs seem likely to keep up the pressure on its industry to shift assets abroad. And, as Mr Martin Waldenström of management consultants Booz Allen points out, excess capacity and the need to move fast in many sectors is increasingly tilting the balance in favour of "buy" over "build." None the less, it is hard to believe many German companies will view these developments as a licence to start practising abroad rapacious take-over tactics of the kind which they have so long disdained at home.

Guy de Jonquières

THE MONDAY INTERVIEW

The man who let the East Germans go

Gyula Horn, Hungary's reform-minded foreign minister, talks to **Judy Dempsey**

If the opinions of ordinary Hungarians are anything to go by, Mr Gyula Horn is expected to win a seat in the country's first free elections since 1947.

A month ago, such predictions would have been impossible. To many Hungarians, Mr Horn was a relatively unknown quantity.

Today, he, along with his two deputies, Mr Laszlo Kovacs and Mr Ferenc Somogyi, and the Prime Minister, Mr Miklos Nemeth, are well-respected. They are the quartet which decided to allow thousands of East Germans unhindered passage out of Hungary to the West.

Such a decision enhanced Mr Horn's reputation greatly. In the view of many Hungarians, he had stood up both for Hungary's interests and for human rights.

"We had no choice," explained Mr Horn on Friday. He appeared to have obtained no sleep over the past week. (Not that he sleeps much anyway. He is up at 5.15 every morning.)

"There was no other way. Hungary could not afford economically to keep the East Germans here. Nor could we send them back."

Besides, he adds, Hungary had acted in accordance with its international obligations. Having put its name to the far-reaching Vienna document on human rights last January, it could hardly renege on this commitment – even if it had affected its bilateral relations with east Germany.

He also insists that Hungary's ruling communist party, the Hungarian Socialist Workers' Party, had not been involved in the decision.

"Naturally, we kept them informed. But it was the Government who decided. Not the party." This detail is of importance; it demonstrates the way in which the powers of the communist party and state have become separated in recent months.

This is a noticeable change from the days of the late Mr Janos Kadar. For all the criticism of his policies now heard in Hungary, he had given the central committee's international department considerable leeway in moving Hungary's foreign policy towards the West.

During the 1970s and early 1980s, a group of young party members – in fact Mr Horn and his two present deputies – were working at that department. It was there that decisions were made to improve relations with China, Israel, tidy up its human rights record and open up contacts with South Korea.

Then, in sharp contrast, just across the Danube, the foreign ministry was a sleepy, conservative institution. Last year, Mr Horn and his friends moved in to shake it up.

The change has been abrupt. During the Kadar era, Hungarian diplomats automatically sent their memoranda both to the central committee and to the foreign ministry. Since Mr Horn took over as minister last May, Hungarian diplomats deal only with the Foreign ministry. The international department now deals only with relations with other communist or socialist parties.

The party's representative is no longer present when Mr Horn and his aides are making decisions. And on a personal level, Mr Horn is less formal than Peter Varkonyi, his dull and unimaginative predecessor. Instead of using the formal "maga" (you) with his colleagues, Mr Horn uses the informal "te".

"You would not recognise the ministry now," one senior official said.

Nor it seems, would any observer recognise the Warsaw Pact, if Mr Horn's ideas ever came to fruition.

"Look, [one of his favourite expressions], the Warsaw Pact should not concern itself with ideological questions or bilateral relations. It should not deal with concrete political questions among the member countries. Instead, it should focus on military co-operation. But I must say that even here, qualitatively, changes are taking place."

Some of Hungary's allies, especially neighbouring Czechoslovakia, Romania, and East Germany, balk at these ideas, believing they could undermine the basic tenets of socialism and the cohesion of the Warsaw Pact.

Mr Horn is not interested in these criticisms. Except for one.

"After our decision to allow the East Germans to travel to the West, the Czechoslovak authorities said we were now at a crossroads. Just because they did not like what we are doing, they implied that we would be leaving the Warsaw Pact. This is not true."

Mr Horn is just as quick to defend the interests of Hungary, and for that matter, the Warsaw Pact. "Times are changing. We have to adapt. If we refrain from modernising our mutual relations within the Warsaw Pact, we will be pushed back to the periphery of the world. That would be catastrophic."

Which is why, as a small country tucked in central Europe, Hungary has worked hard and persistently to improve its relations with the West. In Mr Horn's view, there is a lot of lost time to catch up on.

"Serious damage was caused to Europe after 1945. Our traditional links with Europe were broken. Confrontation prevailed over peaceful co-existence." For him, the "common European house," a theme which crops up repeatedly in Mr Gorbachev's foreign policy speeches, is now of crucial importance.

"Look, European countries are inter-dependent. In that sense, we cannot talk of sovereignty. Take the question of the environment. It does not acknowledge any borders. Remember the Chernobyl disaster. We in Europe have to co-operate more."

He admits however, that it is economic co-operation which Hungary is most keenly seeking, given its deteriorating economy.

It is saddled with a hard currency debt of $18bn, sluggish productivity and an industrial infrastructure in urgent need of modernisation. Mr Horn hopes that the economic reforms will be enough of an incentive to attract western investors. "They can make profits here," he says. But he knows that more is needed to revive the economy.

Mr Horn would like to see a part of the country's debt converted through debt/equity swaps. He would also like to see the European Community reduce its tariffs for Hungarian exports.

Above all, he yearns for the day when the EC will develop a cogent policy towards Eastern Europe. In particular, he would advocate:

- More cooperation between the EC and Hungary on technological transfer
- A pan-European environmental policy
- An EC programme for education and training of Hungarian specialists
- A move towards convertibility of the Hungarian forint, possibly through cooperation with the European Investment Bank
- A free trade agreement with the EC.

However attractive these ideas are on paper, what guarantees can there be for anyone planning to invest in Hungary that Hungary will remain stable after the next elections?

To guarantee continuity in foreign policy, Mr Horn has set up a special department at the ministry to hold regular discussions with the main opposition groups which will be standing in the elections.

"There are few real differences" he says. "Remaining in the Warsaw Pact is not an issue. No matter which party assumes power, they all think that there is no other way for Hungary except to go along the present road."

In fact, so detailed are the talks that a recent session between the ministry and the opposition involved a discussion on how Hungary's representative at the United Nations General Assembly should be chosen after a new government is elected.

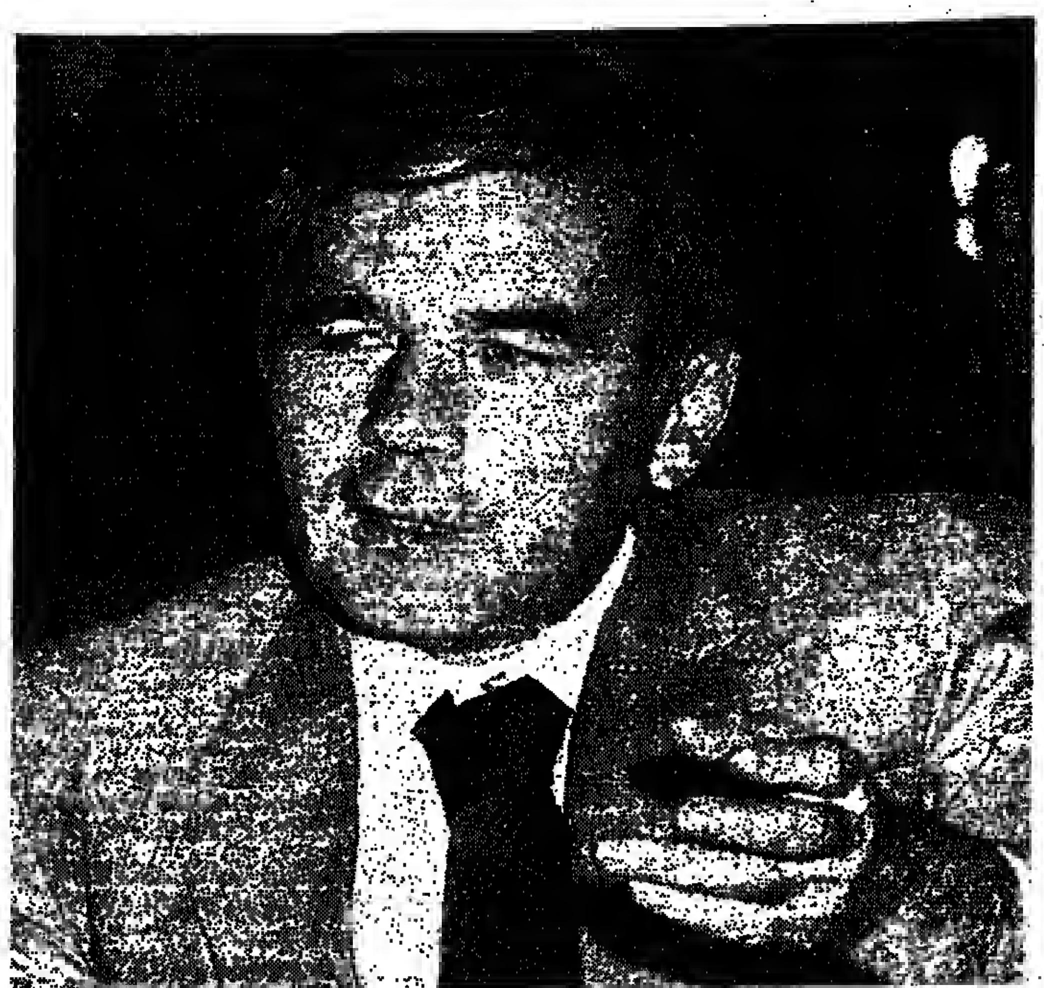
He is also confident that if Mr Gorbachev were to fall, Hungary's present course would continue. "I do not think that things can be reversed to the old Stalinist model, not even in the Soviet Union . . ."

But if there is one thing which Mr Horn cannot feel confident about it is next month's party congress, which takes place against a background of deep divisions and bitter disputes about the party's future role.

The reform circles, groups of liberal party members inspired by Mr Imre Pozsgay, a member of the four-man party presidium, want the congress to adopt a radical package of economic and political reforms. Otherwise, they argue, the party will be badly hurt at the elections.

Mr Horn goes further. He wants the anti-reformers ousted. "It would be a tragedy if the party continues to carry anti-reform forces along, as it has done in the past. If the congress does not make this decision, the party will gain no confidence from society."

But as for his own future, he keeps his cards close to his chest. "I just want the best for Hungary." And what would happen if he were not elected to Parliament? "Well, I am a good writer, I am an economist. I don't think I would be out of a job."



'We had no choice . . . there was no other way'

PERSONAL FILE

- **1932** Born, Budapest
- **1946-49** Mechanic at Siemens factory in Budapest
- **1950-54** Studied economics at Rostov-on-Don, Soviet Union
- **1954-59** Hungarian Finance Ministry; later moved to the Foreign Ministry
- **1961-64** Diplomat in Bulgaria
- **1963-69** Diplomat in Yugoslavia
- **1969-85** International department at the Central Committee
- **1985** Elected to Central Committee
- **1989** Foreign Minister

Judging society's perception of risk

JUSTINIAN

Dangerousness in society is always a dangerous subject for anyone to write or talk about. Two unconnected events last week, however, aroused such widespread and agitated public discussion that comment on the variety of ways in which, in a modern society, people are at risk of suffering grave harm is inescapable. Dangerousness needs to be put into some social perspective.

The first event was the revelation of a return by a team of probation officers which was highly critical of a special unit run by the staff at Wormwood Scrubs to deal with sexual offenders.

Sex offenders present a dual problem within the prison community. Fellow prisoners define a "sex case" more narrowly than do prison staff. For prisoners, a man who abuses children, an indecent exposer or a homosexual is treated as a pariah.

As such, the prison service must provide the sex offender with protection from other prisoners while he is in prison. The rapist is classed by prisoners as a sex offender only if his victim was a child, and the term "child" is limited to a pre-pubical girl. Young girls, even of 13 or 14, are regarded outside the ambit of prisoner hostility if they are sexually mature and hence invites sexual assault.

Prisoner hostility is associated with excessive sentimentality with which most prisoners regard children. For prison staff, it is the rapist, not the homosexual or indecent exposer, who presents a social problem on release from prison.

The unit at Wormwood Scrubs was the prison service's brave attempt at addressing the seemingly intractable problem of how to deal with the proclivity of certain serious sexual offenders to re-offend.

Short of chemical castration, the prison service has deployed methods of psychotherapy, with no greater success than such treatment has generally had outside prison. Indeed, the necessary removal of serious sex offenders from ordinary society presents additional problems associated with isolation in total institutions such as prison.

The public should applaud the efforts of prison, special hospitals (such as Broadmoor) and health service regional secure units to cope with these numerically small but socially worrying serious sexual offenders.

At the heart of the controversy over dangerous behaviour is the ambiguous notion of justifiable public alarm

The release of these and other known violent offenders into the community lay behind the public disquiet at the fatal shooting of a senior police officer from the Greater Manchester police force.

The officer had been approaching a known offender with a record of violence and sexual offences and a history of lengthy prison sentences over the last 20 years.

The appalling death of a police officer in performance of his duty to protect the public brought forth claims from the capital punishment lobby for restoration of the death penalty.

The argument that the knowledge that the hangman's noose exists for such killers would reduce the incidence of murder has surfaced yet again. The regular rejection since 1965 by MPs for a return of the death penalty still fails to deter the proponents of the ultimate penalty from advocating its return, despite its denunciation by every western European country.

There is still no general public acceptance of the argument, which is based on every piece of criminal logical research, that no significant reduction in the prevalence of gravely harmful behaviour is achievable by measures directed solely against individual offenders.

The response from a rational society to violent human behaviour is, therefore, to pursue broadly based social policies, directed against social practices or other features of the social and material environment which are shown to encourage or promote gravely harmful behaviour.

At the heart of the controversy over dangerous behaviour is the ambiguous notion of justifiable public alarm. What risk must be accepted as the normal conditions of life in our kind of society?

If there is a really general acceptance of a risk, nobody can be said to be wronged by a failure to remove that risk, though it would be legitimate to try to change people's views on the matter.

But if there is a general and genuine alarm and refusal to accept a risk, then complaint by the public for official failure to remove it is justified. Fear of violent crime is a harm in itself, not to be under-rated or dismissed as irrational or misplaced.

If there is a really general acceptance of a risk, nobody can be said to be wronged by a failure to remove that risk

The essential problem is that there is little objectivity in perceptions of danger. It is a question of what society is prepared to put up with and why, and not simply to what is damaging to them.

Dangers are unacceptable risks. The probability and severity of such harm is a risk. Danger is the point at which the risk become unacceptable and calls for preventive measures by government.

The assessment of when a risk is unacceptable depends on what values society places respectively on general public welfare and individual rights. A society which places a high value on civil liberties is bound to accept greater risks to potential danger than will an authoritarian system of government.

Public perceptions of risk and the attitudes and values that inform people's judgments of danger will determine what measures society takes.